Development (1937) Department

Fifth SERIES.

G.O. No. 2361.

DATED 20th October 1937.

[Despatch Abstract.]

INDUSTRIES.

State Aid to Industries Act - Kollegal Silk Filatures Ltd. - Subscription of shares worth Rs.17,350 by Government - Sanctioned.

Industries & **DEPARTMENT.**

State aid - Application from Mr. F.L. Silva for aid under the State Aid to Industries Act - Referring for orders.

ENCLOSURES.
No. Two
pare copies

S.A. No. 14/37.

Station Madras, *Dated the* 25th June 1937.

From (Name) L.B.Green Esq., M.B.E.,
(Designation) Ag. Director of Industries.

To The Secretary to the Government of Madras,
Development Department.

I enclose a copy of an application for aid under the State Aid to Industries Act from Mr. F.L. Silva, Proprietor, Bangalore Silk Filature and Throwing Mill, Bangalore City, and Bangalore Silk Filature, Mudikundam Branch, Kollegal, Coimbatore district, on behalf of a joint stock company proposed to be formed under the styl of "The Kollegal Silk Filatures Ltd."

2. The applicant owns a filature in Kollegal with 40 basins and a filature in Bangalore with 36 basins, and he proposes to transfer the filature in Bangalore to Kollegal where the number of basins will be raised to 76. The proposal is that the Company when formed, should

take over as a going concern the two filatures now existing, together with the staff and that 74 additional basins should be installed so that the Kollegal filature would then have a total of 150 basins. The draft prospectus which is submitted by the applicant and marked 'Confidential' provides for an authorised and issued capital of Rs.2,25,000. Ordinary and deferred shares of the company to the value of Rs.1,00,500 wi be issued as fully paid up to Mr. Silva who will be paid the balance of the purchase consideration i.e., Rs.14,500/-, in cas The sum of Rs.1,15,000 payable to Mr. Silva represents the purchase price of his two filatures which has been fixed at Rs.75,000 plus a sum of Rs.40,000 for the goodwill of his business. In other words, on the formation of the proposed company, Mr. Silva is to receive an amount of Rs.14,500/- in cash while his assets in the form of filatures will be converted into shares of the Company of the value of Rs.1,00,500 As regards the balance of share capital, the promoter invites the Government to take up shares to the value of Rs.22,500/- and proposes to issue to the public the balance of shares of the value of Rs.1,02,000. It is proposed that Messrs.F.L. Silva & Sons should serve as managing agents of the Company for a period of 20 years and be given an amount of Rs.350/- per mensem as office allowance and a commission calculated on the net ~~nat~~ profits after allowing for depreciation and certa other charges. The amount allowed for goodwill seems high relative to the value of the assets and the capital of the Company.

3. An investigation of the application will have to be carried out with a view to ascertaining, as far as possible, whether the proposed Company is likely to work at a profit, since a return on the amount subscribed by the Government cou be expected only in the shape of a dividend. Mr. Silva estim a profit of 19.6 per cent on the paid-up capital. The Princi Government Textile Institute, while stating that it is diffic to say whether and for how long the prices of silk at present

Industries DEPARTMENT.

Received 28 JUN 1937 19 Registered D.Dis.2336 19

Subject.

State aid - Application from Mr. F.L. Silva for aid under the State Aid to Industries Act - Referring for orders.

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prevailing will be maintained, states that the proposal seems worthy of support. The Sericultural Expert also supports the scheme generally. The application has not yet been examined fully, and the initial difficulty in considering it is that the proposed company has not yet been formed and registered. Section 5 (2) of the State Aid to Industries Act lays down that no aid shall be given to any joint stock company unless the same is registered in India, and I have some doubt therefore as to whether I can proceed further with the consideration of the application at this stage, although, it would of course be open to the applicant to form and register the company and then apply for the requisite aid under the Act. Mr. Silva, however, is anxious to know at a very early date whether the Government assistance sought for will be forthcoming so that he may issue his prospectus accordingly without delay. In the circumstances, I solicit instructions as to whether I may proceed to consider the application in the usual way or whether the applicant should be informed that before applying for aid under the Act he should first arrange to form and register the Company.

Ag. Director of Industries.

VRN.26.6.

Form of application for Aid under the State Aid to Industries Act, 1922 (No. XV of 1923).

1. Name of applicant and his full address.	F.L.Silva, Proprietor, Bangalore SilkFilature and Throwing Mill, Bangalore City, and Bangalore Silk Filature, Mudikundam Branch, Kollegal, Coimbatore District - on behalf of a Joint Stock Co. proposed to be formed.
2. Nature of the industrial concern for which aid is sought.	Silk Filature, i.e., power factory for the reeling of silk yarn.
3. The administrative, technical and executive staff existing or to be appointed with qualifications.	The factory now existing will be taken over by the Company as a going concern together with the whole of its staff, which is fully qualified and experienced as well as its trained labour.
4. The facilities available for the development of the industry.	The factory is situated in the heart of an area in which sericulture has long been prevalent; raw material is available in ample quantities within a radius of 10 or 12 miles; labour is plentiful and cheap. There is an abundant water supply while the consumption of power is very small. There are good transport facilities both for raw material and for finished produce going to the different silk markets.
5. The nature of the process to be employed.	Conditioning of cocoons, reeling of silk yarn and cleaning of silk waste.
6. Details of plant and machinery installed or proposed to be installed at the works.	(a) 40 reeling basins with all subsidiary plant; steam boiler, steam engine, pumping plant, apparatus for conditioning of cocoons, baling press etc., - already installed and in working order. (b) 36 basins now working in Bangalore with subsidiary plant - to be removed to Kollegal and erected there. (c) 74 additional basins to be purchased and installed within six months.
7. The total estimated cost of the undertaking and the probable time that will be occupied in its execution. (Details of recurring and non-recurring expenditure should be furnished separately).	Rs 1,45,000 for capital expenditure and Rs 80,000 for working expenses. Work will proceed immediately to the extent of half the capacity and the scheme will be completed in six months. The details of recurring expenditure are given in the annexure to the draft prospectus.

3. Approximate number of operative employed or to be employed.	Factory staff - 16 Labour 338
9. Estimated net expenditure per annum in running the works.	Rs 2,96,150
10. Estimated net profits accruing.	s expected that the profit will not fall short of Rs 44,200 equivalent to 19.6 per cent of the paid-up capital, though it is hoped that this figure will be exceeded.
11. Reasons why the business cannot be financed without State assistance.	The participation of Government is not sought as a measure of financial assistance but as an asset of moral value to the Company. From the point of view of Govt. however it will provide a means of control for the purpose of securing the orderly development of the industry and for the co-ordination of the reeling side with sericulture in general; and in particular for the benefit of the sericulturist whose interests not being identical with those of the Filature, will call for protection at the hands of the Govt.
12. Nature and extent of the State Aid applied for (The particular clause of section 6 under which the aid is applied for should be stated.	Purchase of shares in the Company of the nominal value of Rs 22,500 being 10 per cent of the Capital issued - clause (d) of Section 6.
13. Security offered:	
(a) If land	
i. Survey. No.	
ii. Extent	
iii. Assessment.	No security is offered as none is necessary.
iv. In whose name registered.	
(b) Nature and description of other security if any, offered.	

14. Nature and extent of the applicant's right in the concern whether as co-sharer or proprietor or otherwise and his financial resources.

The undersigned is sole proprietor of the existing concern. When it is handed over to the Company, the latter will provide adequate financial resources from out of Capital.

15. Nature and extent of the applicant's right to the property offered as security.

16. Nature and extent of encumbrances on the immovable property offered as security - primary or collateral.

No security is offered or required. The property however is freehold and there are no arrears or encumbrances on the same.

17. Whether any arrears are due on the immovable property offered as security - primary or collateral and if so, the nature and extent of such arrears.

18. Period within which and the number of instalments in which the applicant proposes to repay the loan.

Repayment is not involved.

19. Approximate additional net income expected to be earned as a result of the proposed expenditure.

Kindly see paras 17 and 18 of the draft prospectus.

20. If the application is from a Joint Stock Company, the amount of capital actually subscribed and paid up and the number of shares held by each of the Directors and their salary and fees and other perquisites should be stated.

The Company has not yet been formed. The capital proposed to be issued is 2,25,000, of which the undersigned is prepared to take up shares to the value of Rs 1,05,000 or such lesser amount as may be considered desirable for the purpose of avoiding a predominant interest.

The Directors' qualification and fees are given in para 20 of the draft prospectus.

21. Any other remarks.

Declaration: I...F. L. Silva.....declare that the statements made above are true to the best of my information and belief.

Sd. F. L. Silva,
5th June 1937.

CONFIDENTIAL.

D R A F T P R O S P E C T U S.

T H E K O L L E G A L S I L K F I L A T U R E S L I M I T E D.

* * * *

AUTHORISED CAPITAL - Rs 2,25,000

ISSUED CAPITAL - Rs 2,25,000

Divided into

22,000 Ordinary Shares of Rs 10 each and 5,000 Deferred Shares of Re. 1 each.

* * * * * *

Deferred Shares will not receive Dividend in any year until 10 per cent Dividend has been declared on Ordinary Shares, after which the surplus profits will be divided into two equal parts, of which one part shall be distributed as Dividend on Deferred Shares and the other part as further Dividend on the Ordinary Shares.

Except in respect of Dividend, Deferred Shares will rank pari passu with Ordinary Shares.

A purchaser of every five Ordinary Shares will be entitled to purchase one Deferred Share.

. . . .

Reserved for Government - 2,200 Ordinary and 500 Deferred Shares.

To be issued as fully paid up to Mr. F.L.Silva, 9,800 Ordinary and 2,500 Deferred Shares.

Offered for public subscription - 10,000 Ordinary and 2,000 Deferred Shares.

The shares are payable as follows -

Ordinary Shares -

On application - Rs 5 per share.

On allotment - Rs 5 per share.

Deferred Shares.

On application - full amount - Rupee one per Share.

OBJECTS.

The Company has been formed for the purposes specified in the Memorandum of Association and more particularly with the object of establishing power factories, known as "Silk Filatures", for reeling raw silk and carrying on the allied operation of silk "throwing" or twisting.

SILK PRODUCTION IN KOLLEGAL.

2. The production of raw silk in India is estimated at over 2 millions of lbs. a year, of which about 50 per cent consists of 'Mysore' silk, which is manufactured in the State of Mysore and the adjoining British Taluq of Kollegal in the District of Coimbatore. In Kollegal, as in Mysore, the industry has been firmly established for generations and the area cultivated with mulberry (the food of the silk worm) is no less than 6,000 acres which is one-fifth of the total area under mulberry in Mysore.

3. The normal yield of silk in Kollegal alone is about 1½ lakhs of lbs. a year and under favourable conditions it is capable of being increased to an indefinite extent, in view of the natural advantages possessed by this part of the country for the cultivation of the silk worm.

ACTIVE INTEREST TAKEN BY GOVERNMENT.

4. The problems relating to the cultivation and improvement of the silk worm indigenous to the country have long received the earnest attention of the Government, who maintain a Sericultural Department organised on the most up to date and efficient lines and carrying on continuous research and experimental work. Among other beneficial measures initiated by the Department, one of far-reaching importance to the industry is the recent introduction of the seed of foreign races of silk worms, yielding a cocoon of which the silk content is more than twice as much as that of the local cocoon. This step alone is calculated to reduce the cost of finished silk by 50 per cent.

CREATION OF POWER FILATURES.

5. One measure which has long been recognised as essential for the development of the industry on modern lines is the manufacture of 'filature' silk, i.e., raw silk reeled from the cocoon

by machine (as in Europe, Kashmir, China and Japan) in place of that now reeled by hand, with the help of crude country charkas and known as 'charka' silk. Such a development has become all the more necessary in view of the fact that the silk imported into India in recent years has consisted almost wholly of 'filature' silk; and the Indian weaver who was formerly satisfied with 'charka' silk now demands the machine made quality.

PROSPECTS OF POWER FILATURES.

6. The prospects of working power Filatures successfully are unusually favourable at the present time. The depression under which, in common with most other industries, the silk industry, especially in China and Japan, had laboured during the last few years, has now happily lifted. The price of foreign silk, after having reached its lowest limits during the years 1932- to 1935, has, for some considerable period, been steadily rising and has now reached a point which (with the moderate protection given to Indian silk by the Government of India) is well over the limit laid down by the Tariff Board as the fair selling price of Indian filature silk. Those in touch with the industry are satisfied that a very favourable opportunity now presents itself for the erection of Filatures.

EXISTING POWER FILATURES.

7. There are at present three power Filatures where Mysore silk is being reeled. One of these, with a capacity of about 7,000 lbs of silk a year, is owned and worked by the Government of Mysore in conjunction with its own Silk Weaving Factory. The other two, with a capacity of over 14,000 lbs each belong to a private industrialist, Mr. F.L.Silva, and are situated respectively in Bangalore and Kollegal. The former, well known in the trade as "The Bangalore Silk Filature" was established 15 years ago and the latter in 1929. Both the Government and private Filatures found it necessary to employ foreign experts for a number of years for the purpose of training their supervising staff and the labour. At present however there is no lack of experienced men to take charge of Filatures and trained labour to man them is readily available.

ECONOMIC WORKING ASSURED.

8. The working of Filatures presents no difficulty whatever. The machinery required is not unduly expensive and can either be imported from Europe or Japan or manufactured in India itself. The only raw material required is cocoons and these are available in plenty throughout the year. As stated above, trained supervision and labour can be easily secured and both efficiency and economy are thus assured.

PURCHASE OF EXISTING FILATURES.

9. The promoters have secured the option of purchasing as a going concern the existing power Filature at Kollegal. But as the plant thereof consists of 40 reeling 'basins' only, which is not a sufficiently large unit for the operations of the Company, the vendor has been persuaded to part with the plant of his Bangalore Filature also, thus enabling the Company to transfer it to Kollegal and to start work immediately with 76 'basins', capable of an annual output of 28,500 lbs of silk. This arrangement has the additional advantage that the Company has no competition to face from any quarter and is enabled to secure the services of the vendor for its managing agency, while his entire organisation, both in Bangalore and at Kollegal, is at the Company's disposal. All the 'basins' are of the most up to date type, imported from Italy (the premier manufacturer of silk reeling plant) and are in first class working order. Their life is computed at more than 60 years, the parts liable to wear and tear or requiring replacement being small and inexpensive.

10. Though the Filature at Kollegal has only 40 basins at present, it is fully equipped for a plant of 200 basins. The property consists of 6 acres of freehold land and includes, besides the factory, building erected in 1931, ample accommodation for offices, store rooms, examining and testing rooms, extensive cocoon storage, steaming chamber, boiler and engine house etc. It has an excellent water supply system of its own, together with pumping sets and water reservoirs. It has got a residential bungalow for the Manager,

and quarters for a Supervisor,

Supervisor, a boiler mechanic and watchmen. It is situated in the heart of the silk area and commands an abundant supply of cocoons within a radius of 10 miles, both from Kollegal and Mysore Territory, the latter in one direction being only half a mile from the factory.

11. The purchase price of the entire Filature, with 76 basins and the whole of its equipment has been fixed at Rs.75,000/- In view of the resources of this Filature it is estimated that its output capacity can be doubled with an additional outlay of not more than Rs.35,000/-; and steps will be immediately taken to carry this into effect. The creation of a new Filature of like capacity is estimated to cost at least 50 per cent. more, even though the basins were to be imported from Japan, where the present cost is less than half the price paid for the Italian basins.

12. In addition to the purchase price the vendor is to be paid a sum of Rs.40,000 in respect of goodwill. The business, besides being the only one of its kind in India, has been established for the last 15 years and has built up valuable connections in the various silk markets of India, thus ensuring a ready market for the Company's output, without the necessity of incurring selling commissions.

13. The vendor is prepared to accept practically the whole of the amount payable to him in the form of shares in the Company; and the promoters have agreed to issue fully paid up shares to him of the value of Rs.1,00,500, leaving a sum of Rs.14,500/- only to be paid in cash.

ESTIMATES OF COST.

14. In framing the estimates of prime cost and working expenses the promoters have had the benefit not only of the actual experience of the vendor, but of estimates framed by the Governments of Madras and Mysore and the Mysore Silk Association, Besides these there are detailed and valuable data given by the Tariff Board, who in the year 1933, carried out a thorough investigation into the Indian Silk Industry and strongly urged the establishment of power Filatures. The estimates may therefore be regarded as being thoroughly reliable.

15. The estimated capital required for the undertaking is Rs.2,25,000, of which Rs.1,15,000 represents the purchase price; the balance of Rs.1,10,000 is intended for development and working capital.

PARTICIPATION OF GOVERNMENT:

16.

ESTIMATE OF PROFITS:

17. Taking the annual production of silk at 53,400 lbs. the cost of manufacture is as follows -

Cost of cocoons - - -	2,67,000
Manufacturing charges, including depreciation	56,050
Directors' fees and cost of Board's office	4,900
Agency office allowance	4,200
	3,32,150
Less realisations from silk waste (bye-product)	36,000
Cost of manufacture of 53,400 lbs.	2,96,150

COST PER LB. OF SILK -- Rs.5--8--9.

18. The present price of Japan and Kashmir silk is round about Rs.7 per lb. while the fair selling price of Indian filature silk arrived at by the Tariff Board is Rs.6--10--9 per lb. If the output is sold at the latter rate - which, under present conditions, and as far as can be seen ahead, is eminently fair - the profit will amount to Rs.60,000. But even if the silk is priced as low as Rs.6/6/-, the profit should amount to Rs.44,200 - equivalent to 19.6 per cent. of the paid up capital - ensuring a very fair dividend after making ample provision for reserves.

MANAGING AGENTS:

19. The business of the Company will be managed by the firm of the vendor, Messrs. F.D. Silva and Sons, who will be appointed Managing Agents for a term of 20 years, on a remuneration of Rs.350 a month as office allowance and a commission on the following scale, to be calculated on the net profits, after allowing for depreciation, interest on debentures or loans, if any, commission and other like charges, but not deducting income tax or super tax -

(a) If the profits fall short of a sum amounting to 6 per cent of the paid up capital, the agents will waive their commission.

(b) If the profits amount to 6 per cent but do not exceed 12½ per cent of the paid up capital, the Agents will be entitled to 10 per cent of the profits.

(c) When the profits exceed 12½ per cent. the agents shall, in respect of such excess only, be entitled to one-fourth, in lieu of 10 per cent. as at (b).

DIRECTORS' QUALIFICATION AND INTEREST.

20. The qualification of a Director shall be the holding of at least 150 shares of the value of Rs.10 each; but a Government Director need not hold any shares in the Company.

The remuneration of Directors will be a sum not exceeding Rs.20 for each meeting attended by them, in addition to travelling expenses, if any.

The only Director interested in the promotion of the Company is Mr. F.L. Silva, as vendor of the property and as head of the firm of Managing Agents.

MINIMUM SUBSCRIPTION:

21. The minimum subscription on which the Directors may proceed to allotment has been fixed at 15 per cent. of the capital offered for public subscription.

PRELIMINARY EXPENSES:

22. The preliminary expenses for the formation of the Company, other than brokerage and underwriting commission, if any, are estimated at not more than Rs.5,000/-.

Brokerage at per cent will be paid on applications received from brokers approved by the Board.

The Directors may also pay underwriting commission at a rate not exceeding per cent.

RIGHT OF VOTING:

23. The right of voting at a general meeting is, on a show of hands, one vote to every shareholder present in person. But if a poll should be taken, every shareholder present in person or by proxy shall be entitled to one vote for every share held by him up to 10 shares;

one vote for every 5 additional shares held up to 100 shares; and one vote for every 10 shares above 100 shares.

AGREEMENTS:

24. The following agreements are to be entered into by the Company -

1. An agreement between this Company and the vendor of the property.
2. An agreement between this Company and Messrs. F.L. Silva and Sons appointing them Managing Agents for a period of 20 years on the terms set forth above.

Copies of the agreements may be inspected at the registered office of the company.

APPLICATION FOR SHARES:

25. Applications for shares should be made in the form accompanying this prospectus. The Directors reserve to themselves the right to reject any application without assigning any reason therefor. Where no allotment is made, the amount paid on application will be refunded in full; if the number allotted is less than that applied for, the surplus amount will be credited towards the amount payable on allotment.

Copies of the prospectus and forms of application may be had at the registered office of the Company and from Messrs.

THE KOLLEGAL SILK FILATURES LTD.

DETAILS OF WORKING EXPENDITURE:

FACTORY STAFF:				
1	Manager	150		
2	Supervisors	100		
12	Overseers	300		
1	Testing Clerk	35		
		------	585	7,020
LABOUR:				
165	Reelers at 8	1320		
80	Helpers at 7	560		
35	Knotters at 5	175		
40	Examiners at 8	320		
6	Skein makers at 8	48		
		-----	2,423	29,076
1	Boilerman	30		
1	Mechanic	30		
10	Coolies at 8	80		
		-----	140	1,680

				37,776

FUEL - 3 tons per day at Rs.7 per ton				6,300
REPAIRS:				
1	per cent on machinery	70,000	- 700	
2	" buildings	50,000	1,000	
			-------	1,700
DEPRECIATION				
5	per cent on plant	60,000	3,000	
10	" tools etc.	10,000	1,000	
2½	" buildings	50,000	1,250	
			-------	5,250
OFFICE STAFF:				
1	Accountant and Cashier	60		
3	Clerks	95		
2	Storekeepers	65		
3	Peons and Watchmen	30		
		----	250	3,000
CONTINGENCIES				2,000

MANUFACTURING CHARGES:

Cost of cocoons for 53,400 lbs. of silk at Rs.5/- per lb.		2,67,000
Filature staff and labour		37,800
Fuel for boiler		6,300
Repairs of machinery and buildings		1,700
Depreciation of machinery and buildings		5,250
Office staff		3,000
Contingencies		2,000
		3,23,050
Directors' fees & travelling expences	2,500	
Cost of Board's office	2,400	
Agency office allowance	4,200	
		9,100
Total		3,32,150
Less income from waste - 36,000 lbs.		36,000
Cost of manufacture of 53,400 lbs.		2,96,150

COST OF MANUFACTURE PER LB. - Rs.5--8--9.

S U M M A R Y.

CAPITAL 2,25,000

PRODUCTION 1½ lb. per basin per day -

150 basins for 300 days, less 5 p.c. 53,400 lbs.

COST OF PRODUCTION PER LB. - Rs.5--8--9.

PROFIT

Selling price.	Profit per lb.	Total profit.	Percentage. on capital
6 - 10 - 9	1 - 2 - 0	60,000	26.6
6 - 6 - 0	0 - 13 - 3	44,200	19.6

Dy Secy-WD
20/7/37

Development Dept.

G.M.NB.2336.D.37.1
20.7.37

State Aid to Industries Act - Application from Mr. F. L. Silva. Ref. D.O. letter, S.A.NO. 14/37 & 25.6.1937.

QBQ1-3

Hon'ble M. is informed that he may proceed now to consider the application in the usual way. His final report (as expeditiously as possible.) should be submitted before 20.8.1937 with the views of the Board of Industries should the need Government before by 20.8.1937.

Hon'ble M. J

Secy. Dev. 20/7/37.

19/7/37
Sd.
19.7.37

20/7

20.7.37

DEPARTMENT.

Received 20 AUG 1937 19

ASSISTANT SECRETARY TO GOVERNMENT DEVELOPMENT DEPARTMENT

Registered Dev. 3121-II/1937. 20-8-37

Subject.

Application from Mr.F.L.Silva on behalf of the proposed company - "The Kollegal Silk Filatures Ltd" - for the subscription of shares by Government - Submitting.

ENCLOSURES.
No.
Share copies

No. S.A.14/37.

Station Madras, *Dated the* 19th August 1937.

From (Name) L.B.Green Esq., M.B.E.,
(Designation) Director of Industries,

To The Secretary to the Government of Madras,
Development Department.

Sir,

Reference: Government Memorandum No.2336-II of 37-1 dated 20th July 1937.

I submit for the orders of Government the undernoted documents in connexion with an application for aid under the State Aid to Industries Act from Mr.F.L.Silva on behalf of the proposed company "The Kollegal Silk Filatures Ltd."

(i) Application from Mr.F.L.Silva on behalf of "The Kollegal Silk Filatures Ltd.", for the subscription of share to the value of Rs.17,850 by the Government.

(ii) Note dated 11th August 1937 circulated to the Board of Industries,

and (iii) Extract of the minutes of the Proceedings of the

meeting of the Board of Industries held on the 17th August 1937.

2. The original draft prospectus accompanying the application for aid has been subsequently modified by Mr.Silva and a copy of the prospectus as finally modified and placed before the Board of Industries is submitted for the information of Government. Mr.Silva is the proprietor of a silk filature in Kollegal with 40 reeling basins and a filature in Bangalore City with 36 basins. He proposes to float a joint stock company under the name of "The Kollegal Silk Filatures Ltd." and that the company, when formed, should take over as a going concern the two existing filatures, together with the staff, transfer the filature in Bangalore City to Kollegal where it will be re-erected sideby side with the existing filature, and also arrange for the installation of 74 additional basins, so that the Kollegal filature would then have a total of 150 basins, capable of an annual production of 56,000 lbs of silk.

3. As the filature is the only one of its kind in this Presidency, the industry may be considered to be a new or nascent industry in the Presidency and to come within the scope of section 5(1)(a of the Act. Alternatively it could be brought under section 5(1)(d) of the Act.

4. The prospects of the successful working of the company have been dealt with in detail in paragraphs 6, 7 and 8 of the note circulated to the Board. The climate of Kollegal in which sericulture is at present carried on is eminently suitable both for the cultivation of mulberry and for the rearing of silk worms. With the aid of the subvention provided by the Government of India, action has already been taken in the direction of supplying disease-free seed sufficient to meet the local demand and also in regard to the conduct of research on silk worm diseases. It would thus appear that there are good prospects of the successful working of the proposed company at Kollegal, provided the selling price of silk is maintained at a reasonable level. As will be seen from the attached extract of the minutes of the proceedings of the meeting of the Board of Industries held on the 17th August 1937, the Board considered that the company has good prospects of success and re-

commended

that Government should subscribe for shares in the company to the value of Rs.17,850, subject to certain conditions.

5. As the Government are aware, the company has yet to be floated. Section 5(2) of the Act lays down that no aid shall be given to any joint stock company unless the same is registered in India. Condition No.(i) laid down by the Board is therefore essential. Conditions (ii) and (v) are also necessary and are based on the provisions of sections 11 and 12 of the Act so as to secure a degree of control by Government over the development of the business. Condition (iii) prescribes that the vendor, Mr. Silva, should not receive any of the purchase consideration in cash and that this should be satisfied by the allotment ~~of~~ to him of fully paid shares to the value of Rs.75,000. The value placed on the buildings and machinery erected by the vendor appeared to the Board to be somewhat on the high side and the Board considered that it should be reduced by about Rs.10,000/-. From the prospectus, it will be observed that the purchase price payable to Mr. Silva has been fixed at Rs.85,000 to be satisfied by the allotment to him of fully paid shares in the company of the value of Rs.49,550 plus an amount of Rs.35,450 in cash. The sum of Rs.85,000 represents the purchase price of his two filatures which has been fixed at Rs.75,000 plus a sum of Rs.10,000 for the goodwill of his business. In arriving at ~~their~~ conclusion that equity would be served by the allotment of shares of the value of Rs.75,000 only to the vendor, the Board has taken into consideration the fact that the assets of the two existing filatures were valued at about Rs.55,000 in the year 1931 - vide my letter No. S.A.13/31 dated 9th September 1931 disposed of in G.O.No.1568 Development dated 28th October 1931. The condition stipulated by the Board does not therefore seem unreasonable. As regards condition (iv), since the Board has considered that Mr.Silva should not receive any of the purchase consideration in cash, it does not seem to be necessary that the company should receive subscriptions for shares of the value of Rs.150,450 as recommended by the Board, and it should in fact be sufficient for the company to receive

bscriptions for shares of the value of Rs.115,000/-, including
e shares to be subscribed by Government. Out of the present
sue of Rs.200,000/-, Mr.Silva will be allotted shares of the
lue of Rs.75,000/-, the balance of shares of the value of
.125,000 being offered to the public including the Government.
only an amount of Rs.115,000 has been estimated to be neces-
ry for starting the 150 basin filature (Rs.75,000/- for
rking capital plus Rs.40,000/- for the purchase of 74 additional
sins), it should be sufficient if a condition be imposed that
is amount be realised instead of Rs.1,50,450/-, the amount
xed by the Board, from which, however, the sum of Rs.35,450/-
oposed originally to be paid to Mr.Silva in cash but not approve
the Board, should be deducted. A reference to section 15 of
e Act will show that for all shares subscribed by Government,
ere must be taken up and fully paid for, not less than an
ual number of shares. If, therefore, the Government are to
bscribe for shares of the value of Rs.17,850/- an equal amount
ould already have been fully subscribed and paid for, a
ndition not yet satisfied. The sum of Rs.97,150, excluding
e amount of Government subscription, has, however, been
ggested, because an amount of Rs.115,000/- is required to work
e concern as a 150 basin filature.

6. Subject to the foregoing observations, I commend the
ard's recommendations for the favourable consideration of
vernment.

Director of Industries.

Form of application for Aid under the State Aid to Industries Act, 1922 (No. V of 1923).

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1. Name of applicant and his full address.	F.L.Silva, Proprietor, Bangalore Silk Filature and Throwing Mill, Bangalore City, and Bangalore Silk Filature, Mudikundam Branch, Kollegal, Coimbatore District - on behalf of a Joint Stock Company proposed to be formed.
2. Nature of the Industrial concern for which aid is sought.	Silk Filature, i.e., Power factory for the reeling of silk yarn.
3. The administrative, technical and executive staff existing or to be appointed with qualifications.	The factory now existing will be taken over by the Company as a going concern together with the whole of its staff which is fully qualified and experienced as well as its trained labour.
4. The facilities available for the development of the industry.	The factory is situated in the heart of an area in which sericulture has long been prevalent; raw material is available in ample quantities within a radius of 10 or 12 miles; labour is plentiful and cheap. There is an abundant water supply while the consumption of power is very small. There are good transport facilities both for raw material and for finished produce going to the different silk markets.
5. The nature of the processes to be employed.	Conditioning of cocoons, reeling of silk yarn and cleaning of silk waste.
6. Details of plant and machinery installed or proposed to be installed at the works.	(a) 40 reeling basins with all subsidiary plant; steam boiler, steam engine, pumping plant, apparatus for conditioning of cocoons, baling press etc., - already installed and in working order. (b) 36 basins now working in Bangalore with subsidiary plant - to be removed to Kollegal and erected there. (c) 74 additional basins to be purchased and installed within six months.
. The total estimated cost of the undertaking and the probable time that will be occupied in its execution. (Details of recurring and non-recurring expenditure should be furnished separately).	Rs 14,500 for capital expenditure and Rs 80,000 for working expenses. Work will proceed immediately to the extent of half the capacity and the scheme will be completed in six months. The details of recurring expenditure are given in the annexure to the draft prospectus.

8. Approximate number of operatives employed or to be employed.	Factory staff Labour	16 338
9. Estimated net expenditure per annum in running the works.	Rs 2,96,150	
9. Estimated net profits accruing.	It is estimated that the profit will not fall short of Rs 44,200, equivalent to 19.6 per cent of the paid up capital, though it is hoped that this figure will be exceeded.	
11. Reasons why the business cannot be financed without State assistance.	The participation of Government is not sought as a measure of financial assistance but as an asset of moral value to the Company. From the point of view of Government, however, it will provide a means of control for the purpose of securing the orderly development of the industry and for the co-ordination of the reeling side with sericulture in general; and in particular for the benefit of the sericulturist whose interests not being identical with those of the Filature, will call for protection at the hand of the Government.	
12. Nature and extent of the State Aid applied for (The particular clause of section 6 under which the aid is applied for should be stated)	Purchase of shares in the Company of the nominal value of Rs 22,500, being 10 per cent of the capital issued - calube (d) of Section 6.	
13. Security offered:		
(a) If land		
i. Survey. No.		
ii. Extent.		
iii. Assessment.	No security is offered as none is necessary.	
iv. In whose name registered.		
(b) Nature and description of other security if any, offered.		

14. Nature and extent of the applicant's right in the concern, whether as co-sharer or proprietor or otherwise and his financial resources.	The undersigned is sole proprietor of the existing concern. When it is handed over to the Company, the latter will provide adequate financial resources from out of capital.
15. Nature and extent of the applicant's right to the property offered as security.	
16. Nature and extent of encumbrance on the immoveable property offered as security. primary or collateral.	No security is offered or required. The property however is freehold and there are no arrears or encumbrances on the same.
17. Whether any arrears are due on the immoveable property offered as security - primary or collateral and if so, the nature and extent of such arrears.	
18. Period within which and the number of instalments in which the applicant proposes to repay the loan.	Repayment is not involved.
19. Approximate additional net income expected to be earned as a result of the proposed expenditure.	Kindly see paras (17) and 18 of the draft prospectus.
20. If the application is from a Joint Stock Company, the amount of capital actually subscribed and paid up and the number of shares held by each of the Directors and their salary and fees and other perquisites should be stated.	The Company has not yet been forme The capital proposed to be issued is Rs 2,25,000, of which the undersignedis prepared to take up share to the value of Rs 1,05,000 or such lesser amount as may be considered desirable for the purpose of avoiding a predominant interest. The Director's qualification and fees are given in para (20) of the draft prospectus.
21. Any other remarks.	

Declaration: I, F. L. S I L V A declare that the statements made above are true to the best of my information and belief.

Sd. F. L. Silva,
5th June 1937.

THE KOLLEGAL SILK FILATURES LTD.

It is proposed to form a Joint Stock Company for the purpose of establishing a power Filature at Kollegal with 150 silk reeling basins of the capacity of 56,000 lbs. of raw silk a year.

2. Instead of newly importing these basins from Italy or Japan and erecting a new factory, the Company will acquire my existing power Filature at Kollegal, which consists of 40 basins. It will also acquire the reeling plant of 36 basins which I am now working at Bangalore and re-erect the same at Kollegal. The Company will thus be enabled to start work immediately with 76 basins, capable of an output of 28,000 lbs.

3. It will them import - or, preferably, get manufactured in India - 74 additional basins so as to raise the total number to 150 and the output capacity to 56,000 lbs. (which is about one-fourth the quantity for which cocoons are available to the factory within a radius of 10 miles).

4. The purchase price payable to me (for 76 basins) has been fixed at a sum of Rs 75,000 and the goodwill at Rs 10,000. With the facilities already existing at my Filature it is estimated that the cost of installing 74 additional basins will not exceed Rs 40,000. Thus the total capital outlay will amount to Rs 1,25,000.

5. The valuation is moderate and takes no account of the prospects now opening out. If the Company were to erect a new factory with machinery imported from Japan (which is much cheaper than European machinery) it is estimated that the capital cost would amount to Rs 1,75,000. By acquiring an existing factory the

Company derives several advantages -

(a) it saves Rs 50,000 in capital cost.

(b) it saves a delay of at least 9 months in starting work.

(c) it secures an experienced organisation and a skilled staff.

(d) it is assured of a valuable goodwill and an established market for its output.

(e) it is freed from competition so long as a rival Company does not come into being.

6. The managing agency of the Company will be entrusted to my firm on the following terms -

(a) an office allowance of 500 per mensem

(b) a commission of 10 per cent of the net profits, provided they do not fall short of 6 per cent of the paid up capital.

(c) if the profits exceed 12½ per cent of the capital, the commission in respect of such excess to be 25 per cent instead of 10 per cent as at (b).

7. The cost of manufacturehas been estimated with every care and full details are given in an annexure to the prospectus. It works out at Rs 5 - 9 - 9 per lb. of silk whereas the present selling price of Japan and Kashmir filature silk is round about Rs 7. There is thus a margin of about Rs 1/6. Even if that margin should be halved, there is every prospect of a dividend of 15 per cent, after allowing for reserves. Lest this should appear too optimistic, it may be added that the gross value of theoutput is more than twice the amount of the paid up capital, and more than three times as much as the fixed capital. It is only reasonable that a scheme which yields such results should ensure a handsome return.

8. It is proposed to register the Company in Madras with a nominal capital of Rs 3,25,000, of which the present issue is limited to Rs 2,00,000 leaving a sum of Rs 1,25,000 for future issue for further development.

9. The promoters earnestly request ~~that~~ the Government of Madras to subscribe for 1,750 Ordinary Shares of the value of Rs 17,500 (which according to the Scheme will carry with them 350 Deferred Shares of Re. 1 each, thus making the total investment Rs 17,850).

10. They also beg that Government will appoint two nominees to the Board of Directors, Provision has been made for a maximum of ten Directors/inclusive of 2 Government Directors. But it is not proposed to have a Board of more than nine. With 2 Government and 1 ex-officio Director, it is necessary that there shoul be six Directors elected by the shareholders, in order to comply with the provisions of the Companies Act.

Sd. F. L. Silva.

6-8-1937.

(CONFIDENTIAL)

DRAFT PROSPECTUS.

THE KOLLEGAL SILK FILATURES, LIMITED.

AUTHORISED CAPITAL - Rs.3,25,000

Divided into

31,850 ORDINARY SHARES of Rs.10 each.

and 6,500 DEFERRED SHARES of Re.I each.

ISSUED CAPITAL - Rs.2,00,000

Divided into

I9,600 ORDINARY SHARES of Rs.10 each

and 4,000 DEFERRED SHARES of Re.1 each.

DEFERRED SHARES will not receive Dividend in any year until 10 per cent dividend has been declared on ORDINARY SHARES, after which the surplus profits will be divided into two equal parts, of which one party shall be distributed as dividend on DEFERRED SHARES and the other part as further dividend on the ORDINARY SHARES.

Except in respect of dividend, DEFERRED SHARES shall rank pari passu with ORDINARY SHARES.

.. ..

Out of the present issue,

1,750 ORDINARY and 350 DEFERRED SHARES are reserved for the Government of Madras.

4,850 ORDINARY and 1,050 DEFERRED SHARES will be issued as fully paid up to Mr. F.L. Silva.

3,000 ORDINARY and 600 DEFERRED SHARES have been taken up by the Directors and their friends.

THE REMAINING 10,000 ORDINARY and 2,000 DEFERRED SHARES are now offered for public subscription.

A

DEFERRED SHARES will not be separately issued by themselves but a subscriber for five ORDINARY SHARES will be entitled to purchase one DEFERRED SHARE.

The SHARES are payable as follows:

ORDINARY SHARES:

On application .. Rs.2/8 per share.

On allotment .. " 2/8 "

Balance in two calls of " 2/8 each at intervals of not less than two months.

DEFERRED SHARES:

n application - Rs.1/- per share.

D I R E C T O R S.

an Bahadur T. RAGHAVIAH, C.S.I.,
Retired Member, Board of Revenue, Madras; Ex-Dewan of Travancore; Ex-President, Council of Administration, Pudukotah State; Member, Local Board for Madras, Reserve Bank of India; Member, Advisory Board, Imperial Council of Agricultural Research; etc. etc. (Chairman)

2. GOVERNMENT DIRECTOR.

3. -do-

4. P. SUBBARAMA CHETTY, M.L.C.,
President, Mysore Chamber of Commerce; President, Bangalore City Municipality; Member, Mysore Legislative Council; Director, Bank of Mysore; Director, Krishnarajendra Cotton S.& W. Mills, Mysore; Director, Mysore Sugar Mills, Mysore Paper Mills, Mysore Spun Silk Mills; Silk Manufacturer and Merchant.

5. Dewan Bahadur A. APPADURAI PILLAI, I.S.O.,M.A.,M.L.A.,
Retired Collector and Director of Industries, Madras; Member, Madras Legislative Assembly;

6. Rao Bahadur C. GOPALA MENON.
Vice President, Southern India Chamber of Commerce, Madras

Member, Local Board for Madras, Reserve Bank of Ihdia; Director, Madras Central Co-operative Land Mortgage Bank; Dubash, Messrs. Wilson & Co., Madras.

7. S.L. MANNAJI RAO.

Director, Bank of Mysore; Partner, DHarmaprakasa Rao Saheb S. Sajjan Rao and Co., Yarn Merchants, Bangalore city.

8. F.L. SILVA.

Proprietor, Bangalore Silk Filature and Throwing Mill, Bangalore and Kollegal; Director, Mysore Spun Silk Mills; (Ex-Officio).

MANAGING AGENTS.

F.L. SILVA AND SONS.

AUDITORS.

.....

BANKERS.

THE IMPERIAL BANK OF INDIA, LIMI

THE BANK OF MYSORE, LIMITED.

THE CANARA BANK, LIMITED.

LEGAL ADVISER.

.....

REGISTERED OFFICE.

.....

O B J E C T S:

The Company has been formed for the purposes specified in the Memorandum of Association and more particularly with the object of establishing power factories, known as "Silk Filatures", for reeling raw silk from silk cocoons and carrying on the allied operation of "throwing" or twisting silk yarn.

SILK PRODUCTION IN KOLLEGAL:

2 The normal production of raw silk in India is estimated at about 2 millions of lbs. a year, of which nearly 50 per cent. consists of Mysore silk, which is manufactured in the State of Mysore and the adjoining British Taluq of Kollegal in the District of Coimbatore. Nowhere in India is sericulture practised more intensively than in Kollegal; and this single taluq produces about one-fifth of the total quantity of 'Mysore' silk. In recent years the production fell to a considerable extent owing to the depression under which the silk industry especially in China and Japan, laboured in common with most other industries. But for nearly a year there has been a steady and marked improvement in the price of foreign silk, and Kollegal silk is once again in a position to hold its own. No better proof of this could be found than the fact that during the current season the area planted with mulberry (the food of the silk worm) has risen from 6,000 to 9,000 acres, while a similar advance is noticeable in Mysore also. If conditions continue to be favourable it is anticipated that there will be a rapid expansion, as this part of the country possesses unrivalled natural advantages for the cultivation of the silk worm.

ACTIVE INTEREST TAKEN BY GOVERNMENT:

3. The problems relating to the cultivation and improvement of the silk worm indigenous to the country have long received the earnest attention of the Government, who maintain a Sericultural Department organised on the most up to date and efficient lines and carrying on continuous research and experiental work,

to which a special impetus has been imparted by reason of a substantial grant given by the Government of India. Among other beneficial measures initiated by the Department, one of far-reaching importance to the industry is the recent introduction of the seed of foreign races of silk worms, yielding a cocoon of which the silk content is more than twice as much as that of the local cocoon. This step alone is calculated to reduce the cost of finished silk by 50 per cent.

POWER FILATURES:

4. One measure which has long been regarded as being essential for the maintenance and development of the Sericultural Industry in India is the manufacture of 'filatures' silk, i.e. raw silk reeled from the cocoon by machine (as in Europe, China, Japan and Kashmir) in place of that now reeled by hand with the help of crude country charkas and known as 'charka' silk. Such a development has now become not only opportune but urgent in view of the fact that the silk imported into India in recent years has consisted almost wholly of 'filature' silk; and the Indian weaver who was formerly satisfied with 'charka' silk now demands the machine made quality.

5. It may be noticed here that one peculiar merit of the machinery employed at a silk Filature is that it increases employment instead of having the reverse effect as in the case of other machinery. The production of a silk 'basin' - or reeling unit - is smaller than that of a charka while the man power required to work it is much larger. The Filature contemplated is calculated to give employment to no less than 375 persons, in other words, to two persons per lb. of silk produced.

EXISTING FILATURES:

6. There are at present only three small power Filatures in India (excluding the Kashmir Government Filature). One of them is owned and worked by the Government of Mysore in conjunction with its own silk Weaving Factory at Mysore. The second

known as "The Bangalore Silk Filature and Throwing Mill", is situated in Bangalore City and belongs to a private industrialist, Mr. F.L. Silva. It has a capacity of 14,000 lbs. ofraw silk, much of which is dealt with in the Throwing Mill attached to the Filature and marketed in the form of "thrown silk" yarn. The same gentleman owns another Filature with a like capacity at Kollegal which was established in the year 1929. Owing to the depression it had to stop work during the last three or four years but it has recently been re-opened and is now in full working order.

PROSPECTS OF POWER FILATURES:

7. The working of Filatures presents no difficulty. The machinery required is not unduly expensive and can either be imported or manufactured in India itself. The only raw material required is cocoons and these can be had in plenty throughout the year. Indeed the supply now available at Kollegal is sufficient to absorb the capacity of a plant 3 or 4 times as large as that of the Filature contemplated. In the past both the Mysore Government and the private Filatures had found it necessary to employ foreign experts for a number of years for the purpose of training the supervising staff and the labour; but now competent Indian supervision is available and labour can be trained without difficulty. Electric power is in course of being installed at Kollegal. Both economy and efficiency are thus assured. Those in touch with the industry feel satisfied that the prospects of establishing Filatures successfully are unusually favourable at the present time, as the cost of manufacture is well below the price at which competitive qualities of Japan and Kashmir silk are being sold, and there is every indication that the present conditions are likely to be maintaine

ESTIMATES OF COST:

8. In framing the estimates of prime cost and working expense, the promoters have had the benefit not only of the

8. In framing the estimates of prime cost and working expenses, the promoters have had the benefit not only of the

actual experience of existing Filatures but of estimates framed by the Governments of Madras and Mysore and the Mysore Central Silk Association. The erection of a new Filature of the proposed capacity is estimated to entail a capital outlay of about Rs.90,000 for plant and machinery and Rs.85,000 for land, buildings, water supply, etc.

PURCHASE OF EXISTING FILATURES:

9. With a view however to minimise the initial outlay and to obtain certain other advantages, the promoters have secured the option of purchasing, as a going concern, the existing Filature at Kollegal. But as the plant thereof consists of 40 reeling 'basins' only, which is not a sufficiently large unit for the operations of the company, it has been arranged that the vendor should part with the reeling plant of his Bangalore Filature also, consisting of 36 'basins', thus enabling the company to transfer it to Kollegal and to start work there immediately with 76 'basins', with a capcity of 28,500 lbs. of raw silk. Under this arrangement the Company has the advantage of being free from competition ffom any quarter and is moreover enabled to secure the services of the vendor for its managing agency, while his existing organisation, both at Kollegal and in Bangalore will be at the Company's disposal. The business, besides being the only one of its kind in India, has been established for the last 15 years and has built up valuable connections in the various silk markets in India, thus ensuring a ready sale for the Company's output. The 'basins' themselves are of the most up-to-date type and were imported from Italy (the premier manufacturer of silk reeling plant) at a cost which is more than twice as much as the price at which Japanese basins are now obtainable. They are in first class working order and their life is computed at more than 60 years, the parts liable to wear and tear or requiring replacement being small and inexpensive.

10. Though the Filature at Kollegal has only 40 'basins' at present, it is fully equipped for a much larger plant. The property consists of 6 acres of freehold land and includes, besides the factory building erected in 1931, ample accommodation for offices, work rooms etc. with extensive storage for cocoons, the area covered with pucca buildings exceeding 15,000 sq. ft. It is provided with an excellent water supply together with pumping plant and water reservoirs. It has got a residential bungalow for the Manager and quarters for some of the staff. It is moreover situated in the heart of the silk area and commands an abundant supply of cocoons within a radius of 10 miles, both from Kollegal and Mysore Territory, the latter in one direction being only half a mile from the factory.

11. The purchase price of the Kollegal Filature, together with the whole of its equipment, as also of the reeling plant at Bangalore, has been fixed at Rs.75,000 and a sum of Rs.10,000 allowed as goodwill. In view of the facilities available for extension, it is estimated that the productive capacity of the Filature can be doubled with an additional outlay of Rs.40,000; and it is proposed to carry this into effect without delay by installing 74 additional basins, so as to raise their number to 150 and the output to 56,000 lbs. There will thus be a saving in the initial outlay of about Rs.50,000.

12. Out of the purchase money a sum of Rs.49,550 will be paid to the vendor in the form of fully paid shares in the Company and the balance in cash.

CAPITAL REQUIRED:

13. The capital required for plant, machinery, buildings, furniture, etc., is, as stated above, Rs.1,25,000. It is estimated that a sum of Rs.75,000 will be sufficient for working capital and incidental charges. It is accordingly proposed to issue shares for Rs.2,00,000 at present, leaving a sum of

Rs.I,25,000 for future issue for the purpose of further development by means of an extension of the reeling plant and the addition of a Throwing plant.

ESTIMATE OF PROFITS:

14. Taking the net annual production of finished silk at 53,400 lbs. the cost of production is as follows:--

Cost of raw material (cocoons)	..	2,67,000
Manufacturing charges, including depreciation	...	57,550
Directors' fees and cost of Board's office.	...	4,900
Agency office allowance	...	6,000
		3,35,450
LESS income from silk waste (bye-product)	...	36,000
Cost of production of 53,400 lbs.		2,99,450

COST PER LB. OF SILK ... RS.5 - 9 - 8.7

15. The present selling price of Japan and Kashmir filature silk is round about Rs.7 per lb. while the fair selling price of Indian filature silk arrived at by the Tariff Board is Rs.6/10/9 per lb. If the output is sold at the latter rate which, under present conditions and as far as can be seen ahead is eminently fair - the profit will amount to Rs.56,700. But even if the silk is priced as low as Rs.6/6, the profit should amount to Rs.40,800 - equivalent to 20.4 of the paid up capital ensuring a very fair dividend after making ample provision for reserves.

PARTICIPATION OF GOVERNMENT:

MANAGING AGENTS:

17. The business of the Company will be managed by the firm of the vendor, Messrs. F.L. Silva and Sons, who will be appointed Managing Agents for a term of 20 years, on a remuneration of Rs.500 per month as office allowance and a commission on the following scale to be calculated on the net profits, after allowing for depreciation, interest on debentures or loans if any, commission and all other like charges, but not deducting income tax or super tax -

(a) if the profits fall short of a sum amounting to 6 per cent of the paid up capital, the agents will waive their commission.

(b) if the profits ~~fxixxxhxrx~~ amount to 6 per cent but do not exceed 12½ per cent. of the paid up capital, the agents will be entitled to 10 per cent. of the profits.

(c) when the profits exceed 12½ per cent, the agents shall, in respect of such excess only, be entitled to 25 per cent. in lieu of 10 per cent. at at (b)

The Managing Agents shall be entitled to nominate two Directors to the Board of Management.

QUALIFICATION OF DIRECTORS:

18. The qualification of a Director shall be the holding of at least 150 shares of the value of Rs.10 each; but a Director appointed by Government or a nominee of the Managing Agents need not hold any share in his own right.

The remuneration of a Director shall be a sum not exceeding Rs.20 for each meeting attended by him in addition to travelling expenses, if any. If any Director is called upon to perform any special service the Board may pay him such allowance or honorarium as they may consider proper.

INTEREST OF DIRECTORS:

19. None of the Directors has any interest in the formation of the Company, with the exception of Mr. F.L. Silva, who

is interested to the extent mentioned above, as vendor of the property and as head of the firm of Managing Agents.

PRELIMINARY EXPENSES:

20. The preliminary expenses for the formation of the Company, other than brokerage and underwriting commission, if any, are estimated at not more than Rs.3,000.

Brokerage at 1 per cent.will be paid on applications received from brokers approved by the Board.

The Directors may also pay underwriting commission at a rate not exceeding 3 per cent.

MINIMUM SUBSCRIPTION:

21. The minimum subscription on which the Directors may proceed to allotment has been fixed at 7,500 shares of the value of Rs.75,000.

RIGHT OF VOTING:

22. At a general meeting every member present in person shall, on a show of hands, have one vote. But if a poll should be taken, every member present in person or by proxy shall be entitled to one vote for every share held by him up to 10 shares; one vote for every five additional shares held up to 100 shares; and one vote for every 10 shares above 100 shares, the Deferred shares not counting for this purpose.

AGREEMENTS:

23. The following agreements are to be entered into by the Company -

(1) An agreement between the Company and the vendor of the property.

(2) An agreement between the Company and Messrs. F.L. Silva and Sons appointing them Managing Agents for a period of 20 years on the terms set forth above.

Copies of the agreements may be inspected at the registered office of the Company and at the Bangalore Silk Filature and Throwing Mill, Ulsoor Gate, Bangalore city.

APPLICATIONS FOR SHARES:

24. Applications for shares should be made in the form accompanying this prospectus. The Directors reserve to themselves the right to reject any application without assigning any reason therefor. Where no allotment is made, the amount paid on application will be refunded in full; if the number allotted is less than that applied for, the surplus amount paid with the application will be credited towards the amount payable on allotment.

Copies of the prospectus and forms of application may be had at the registered office of the Company and from

THE KOLLEGAL SILK FILATURES LIMITED.

DETAILES OF WORKING EXPENDITURE.

Factory Staff:			
I Manager	150		
2 Supervisors	100		
I2 Overseers	300		
I Testing clerk	35		
	585		7,020
Labour:			
165 Reelers at 8	I,320		
80 Helpers at 7	560		
35 Knotters at 5	175		
40 Examiners at 8	320		
6 Skein Makers at 8	48		
	2,423		29,076
I Boilerman	30		
I Mechanic	30		
I0 Coolies at 8	80		
	I40		I,680 37,776.
Fuel: 3 tons per day at Rs.7 per ton			6,300
Repairs: I per cent on machinery	66,900	669	
2 " buildings	38,500	770	
			1,439
Depreciation:			
5 per cent. on plant	57,150	2,858	
10 " equipment, tools furniture etc.	9,750	975	
25 " motor van	1,800	450	
2½ " buildings	38,500	963	
			5,246
MAINTENANCE OF MOTOR VAN			1,500
CONTINGENCIES			2,000
Office Staff:			
I accountant and Cashier		60	
3 clerks		I10	
2 Storekeepers		70	
3 Peons and watchmen		30	270 3,240

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MANUFACTURING CHARGES:

Cost of coonons for 53,400 lbs. of silk at Rs.5-per lb.		2,67,000
Filature staff and labour		37,800
Fuel for boiler		6,300
Repairs of machinery and buildings		1,450
Depreciation of -do- -do- & motor		5,250
Maintenance of motor van		1,500
Contingencies		2,000
Office staff		3,250
		3,24,550
Directors' fees & travelling expenses	2,500	
Cost of Board's office	2,400	
Agency office allowance	6,000	10,900
		3,35,450
Less income from waste (bye-product) 36,000 lbs.		36,000
Total cost of manufacture of 53,400 lbs.		2,99,450

COST OF MANUFACTURE PER LB. ... Rs. 5-9-8.7

S U M M A R Y.

CAPITAL 2,00,000

PRODUCTION - 150 basins for 300 days at

1¼ lb. per basin per day, less

5 per cent. Lbs.53,400

COST OF PRODUCTION PER LB. - Rs.5 - 9 - 9.

Selling price.	Profit per lb.	Total profit.	% on capital.
6 - 10- 9	1 - 1 - 0	56,800	28.3
6 - 6 - 0	0 -12- 3	40,800	20.4

Application from Mr.F.L.Silva, Proprietor, Bangalore Silk Filature and Throwing Mill, Bangalore City and Bangalore Silk Filature, Mudikondam Branch, Kollegal, for aid under the State Aid to Industries Act.

A copy of the application from Mr.F.L.Silva foraid under section 6(d) of the State Aid to Industries Act is attached. The applicant is the proprietor of a silk filature in Kollegal with 40 reeling basins and a filature in Bangalore City with 36 basins. He proposes to float a joint stock company under the name of "The Kollegal Silk Filatures Ltd.", and on behalf of this proposed Company, he has applied to the Government for the subscription of shares to the value of Rs.17,850/-. The prospectus originally enclosed with his application under reference has been subsequently modified by him and a copy of the latest revised prospectus is also enclosed.

2. The proposal is that the Company, when formed should take over as a going concern the two filatures now existing, together with the staff, transfer the filature in Bangalore to Kollegal where it will be re-erected side by side with the existing filature, and also arrange without delay for the installation of 74 additional basins, so that the Kollegal filature would then have a total of 150 basins capable of an annual production of 56,000 lbs of silk.

3. As the filature is the only one of its kind in this Presidency, the industry may be considered to be a new or nascent industry in the Presidency and to come within the scope of section 5(1) (a) of the Act; otherwise it can be brought under section 5(1)(d) of the Act.

4. It will be observed from the draft prospectus that it is proposed to register the Company with an authorised capital of Rs.3,25,000, but to issue at present shares to the value of Rs.2,00,000 only, leaving a sum of Rs.1,25,000 for future issue as and when required for further development. Out of the

present issue, ordinary and deferred shares of the Company to the value of Rs.49,550 will be issued as fully paid upto Mr. Silva who will be paid the balance of the purchase consideration i.e. Rs.35,450 in cash. The sum of Rs.85,000 payable to Mr. Silva represents the purchase price of his two filatures, which has been fixed at Rs.75,000 plus a sum of Rs.10,000 for the goodwill of his business. As regards the balance of the share capital, the promoter invites the Government to take shares of the value of Rs.17,850 and proposes to issue to the public the balance of shares of the value of Rs.132,600. The prospectus also provides that in addition to the purchase price of Rs.85,000 payable to him on the formation of the Company, Messrs:F.L. Silva and Sons shall be appointed as Managing Agents of the Company for a period of 20 years and be given an amount of Rs.500 per mensem as office allowance and a commission calculated on the net profits after allowing for depreciation and certain other charges.

5. The value of the ~~kix~~ buildings and machinery has been put down at Rs.38,500 and Rs.66,900 respectively in the statement of working expenditure appearing in the prospectus and these figures presumably include the cost of the additional 74 basins. When Mr.Silva applied for a loan in 1931 under the Act, the buildings and machinery were valued at the time at Rs.23,000 and Rs.32,000 respectively. The Sericultural Expert Kollegal, who was consulted in regard to the application states that the Mudikondam factory has not been working for the last five ~~fx~~ years, though the filature in Bangalore is now working. The Sericultural Expert considers that the valuation of the existing machinery at about Rs.35,000 may be accepted, while the buildings may be valued at about Rs.20,000. The question of the exact valuation of the existing machinery and buildings is not, however, vital to the consideration of the application, in as much as the application is not for a loan but for the subscription of shares for which a return will be forthcoming

only in the shape of dividends.

6. The pro forma profit and loss account shown in the prospectus has been drawn up on the basis of the working of 150 basins. The estimate anticipates a profit ranging from 20 to 28 per cent on the invested capital according as th selling pri ce of silk per lb. is Rs.6-6-0 or Rs.6-10-9. The Sericultural Expert who examined the estimate states that the required quantity of cocoons can be obtained in and around Kollegal sufficient to feed a factory of the size contemplated and that there should be no difficulty in finding a market for the entire production of silk at Rs.6-6-0 per lb. In regard to the scope for the development of the sericultural industry in this country the Tariff Board on the grant of protection to the industry stated as follows:

> "The economic environment, i.e. low agricultural wages and long periods of unemployment in rural areas and the need of a subsidiary occupation is entirely favourable to silkwo rearing. It is distinctly less exacting and more remunerati than charka spinning which has been so repeatedly advanced a a remedy for agricultural unemployment. There is no serious competition from other crops and occupations. Mulberry can grown on waste lands and field boundaries if the tree method cultivation is adopted. In seed production and in its later stages of reeling, throwing and weaving by power, the indust is capable of absorbing some of the educated classes whose employment constitutes a serious problem for all provincial Governments".

The climate of Kollegal in which sericulture is at present carried on is eminently suitable both for the cultivation of mulberry and for the rearing of silk worms. With the aid of a subvention provided by the Government of India action has already been taken in the direction of supplying disease-free seed sufficient to meet the local demand and in regard to th conduct of research on silk worm diseases and the necessary additional staff has been working since 1935.

7. As regards the economical size for a filature in Ind the report of the Tariff Board states that there are parts o the country where sufficient capital is forthcoming in which 200 basin filature would be an economical size for India and where the capital and the market for high grade silk is limi

or it is desired to modernise an existing establishment, a suitable size for a filature would be 100 basins or even less. It is also stated that the cost of producing the best quality charka silk is much closer to that of producing filature silk than are the qualities of silks produced and that it would therefore seem that quality for quality filature production is more economical than charka production. The silk filature at Mudikundam is the only power filature in this Presidency and it is proposed, as shown, to raise it to a 150 basin filature. There is a considerable demand in the Presidency for superior class of silk.

8. The Sericultural Expert considers that the advent of a power filature will not totally oust the charka reelers though it may reduce the number of them, especially of that class of reeler who reels the lowest quality of silk. The total number of labourers employed in the reeling industry should not, however, be reduced. For every 100 basins now at work in cottage reeling establishments, 150 basins would be required in a filature to work the same quantity of cocoons, since in the latter, quality is the main consideration. Again, a number of labourers will be employed for cleaning waste; cleaning and bundling skeins. The development of the filature in Kollegal would stimulate the introduction and development of univoltine and crossbreed work by paying a higher price for better quality cocoons.

9. It will be apparent from the foregoing that there appears to be a good prospect of the successful working of the proposed Company, provided the selling price of silk is maintained at about the level of Rs.6-6-0 per lb., the present prices of the Japanese and Kashmir silks being about Rs.6-11-0 per lb. The Company has not been started and an initial difficulty is in considering the application at the present stage. Section 5(2) of the Act lays down that no aid shall be given to any joint stock company unless the same is registered

in India, whilst section 15 of the Act lays down that for all shares subscribed by Government, there must be taken up and fully paid for, not less than an equal number of shares. If, therefore, the Government are to subscribe for shares of the value of Rs.17,850, an equal amount should already have been fully subscribed and paid for, a condition not yet satisfied. It is estimated that a sum of Rs.75,000 will be required as working capital, while a sum of Rs.40,000 is required for the installation of additional basins so as to increase the number of basins to 150. The prospectus also provides for a cash payment of Rs.35,450 to the applicant. Unless, therefore, a sum of Rs.150,450 is subscribed and paid up, it will not be possible to work the filature as proposed and realise the profit anticipated. As, out of this amount the subscription by Government is for Rs.17,850, the Company should realise a sum of Rs.132,600 by the issue of the shares so as to enable it to start working as a 150 basin filature. The question for consideration is whether, in the event of the aid applied for being recommended, its payment may be made subject to the following conditions, viz.

(i) that the Company is registered in Madras,

(ii) that shares of the value of Rs.132,600 are fully subscribed by the public.

10. In the event of the aid applied for being recommended subject to the above conditions, the question will arise whether any Government control over the administration of the Company should be provided for in accordance with the conditions prescribed in section 15 read with section 12 of the Act and if so, in what manner such control should be exercised. In the prospectus of the company places have been reserved on the Board for two Government directors, and it may be made a further condition of the grant of the financial assistance applied for that the Board of the Company should include one director nominated by Government.

11. The views of the Board are desired on the merits of

of the application and as to whether, in the circumstances stated in this note, they are prepared to recommend the subscription of shares applied for and if so, on what terms and conditions.

Extract of the Minutes of the Proceedings at the twenty-ninth meeting of the Board of Industries constituted under the Madras State Aid to Industries Act (Act V of 1923) held at the Office of the Director of Industries, Chepauk, Madras, on Tuesday the 17th August 1937, at 11 A.M.

Present.

Chairman.

Mr.L.B.Green, M.B.E.,

Members.

Mr.C.E.Jones, C.I.E., I.C.S., Secretary to Government, Finance Department.
M.R.Ry Diwan Bahadur G.Narayanaswami Chetty Garu, C.I.E,
Mr.F.Howard Oakley.

M.R.Ry Rao Bahadur C.V.S.Narasimharaju Garu, B.A., B.L.,
M.R.Ry A.Ranganatha Mudaliar Avl., B.A., B.L.,

M.R.Ry Chandulal M.Kothari Avl., B.A., LL.B.,

Mr.D.Q.Davidson.

M.R.Ry S.Rm.Ct.Pl.Palaniappa Chettiar Avl.,

Secretary.

Mr.W.Fyfe.

Read letter from Mr.T.Austin, I.C.S., Registrar of Cooperative Societies regretting his inability to attend the meeting owing to his absence on tour.

The following applications were considered:

(1) Application from Mr.F.L.Silva, Proprietor, Bangalore Silk Filature and Throwing Mill, Bangalore City and Bangalore Silk Filature, Mudikondam Branch, Kollegal, for the subscription by Government of shares to the value of Rs.17,850/- under section 6(d) of the State Aid to Industries Act.

Read note by the Director of Industries dated 11th August 1937 and connected papers.

At a certain stage of the proceedings, Mr.F.L.Silva was called before the Board and examined in regard to

certain aspects of the application.

Resolved by a unanimous vote that on the facts placed before them, the Board considers that the company has good prospects of success and recommends that Government should subscribe for shares to the value of Rs.17,850 subject to the conditions:

(i) that the projected company is registered in the Madras Presidency;

(ii) that the company appoints an auditor approved by Government;

(iii) that the vendor Mr.Silva should not receive any of the purchase consideration in cash and that this should be satisfied by the allotment to him of fully paid shares to the value of Rs.75,000.

(iv) that the company should not proceed to allotment before receiving subscriptions for shares of the value of Rs.150,450, including shares to the value of Rs.17,850 to be subscribed by Government, and

(v) that the board of the company should include on director nominated by Government.

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DEVELOPMENT DEPARTMENT.

O.M.No. 2336 II/37-2 D/2 -9-1937.

Sub:-Industries - State Aid to Industries Act - Application from Mr. F.L. Silva on behalf of the Kollegal Silk Filatures Ltd. - Subscription for shares.

Ref:-Letter from the Director of Industries No.S.A.14/37, dated 19.8.1937.

The question of the exact valuation of the existing assets ma as observed by the Director in his to the Board of Industries, be vita to the consideration of Mr. Silva's application in as much as the appli is not for a loan on the security c these assets but for the subscripti of shares from which a return will forthcoming only in the shape of di But obviously, the Govt. cannot ler moral support to the venture unless are satisfied that the purchase pri fixed in the prospectus for these a to be paid to Mr. Silva in the form of shares is more or less reasonable.

by taking shares in the projected Company

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The Industrial Engineer valued these assets in 1931 at Rs.55,564-14-0 as per details below:

	Rs.	A.	P.	
Machinery at Mudikundam	19,899	14	0	p.51 of (T)
Machinery at Bangalore	12,000	0	0	
Land	665	0	0	23665
Old Buildings	18,000	0	0	
New buildings	5,000	0	0	
	55,564	14	0	

Allowing for further depreciation at 4 per cent during the past 6 years, the present value of the machinery at Mudikundam and Bangalore cannot be fixed at anything more than Rs.~~24,320~~ 24244. ~~against Rs.31,899-14-0;~~ The Industrial Engineer valued the buildings including the land at Rs.23,665, but it does not appear that Mr. Silva who ~~+~~ it is reported ~~+~~ purchased them in 1929, paid anything more than Rs.9,000 and the further improvements carried out by him after the purchase, it is said, would not have cost him more than Rs.2,000. It is doubtful if the assets can be valued at present at anything more than Rs.40,000.

~~if at all.~~ ~~in round figures.~~

The question then for consideratio is whether the Board of Industries, if it had this aspect of the question befor it, would have recommended allotment of sharesto Mr. Silva of the value of Rs.75,000. The Director is requested to report on this point and more particularly as to whether there can be any justification to allot to Mr. Silva shares worth more than Rs.40,000 on the whole. The filature at Mudikundam has not been working for the past five years while the Govt. have no informati as to the success or otherwise of the filature at Bangalore. It is more than doubtful whether any payment should be made or provided for on account of goodwill in the circumstances. The Director is requested to submit his report as early as possible.

To the Director of Industries.

19.37

3/9/37

S. Nanjundiah
Land-holder
Silk Specialist.

53 3376 11/1485

Kollegal
(Coimbatore Dt.)
28th Aug. 1937.

Dev.
11/9/38
31-8-37

To

The Hon'ble The Minister
for Labour & Industry,
Government of Madras.

Madras.

Sir,

From the 'Hindu' of 16th inst it appears a deputation waited on you "to enlist the support of the government for the silk industry." This industry has been in existence in Kollegal taluk of the Coimbatore district for ever so long. With a view to its improvement the government opened a silk department in Kollegal about 25 years ago. About eight years later the department was reorganised and considerably enlarged by the appointment of a highly paid 'expert' with a large subordinate staff. This was considerably reinforced a year back or so by the addition of about a dozen 'trained' men. Evidently it has involved the expenditure of considerable sums of public money. Unquestionably the tax payer has a right to know how much has been spent, in what manner and with what result. Pending this publication and the eliciting of public opinion

no grant can be reasonably made either to the existing government department or to a private concern like 'the Kollegal Silk Filatures Ltd' where no Kollegalee is known to have any shares. Besides it is not clear whether this private body will not be replacing a large number of poor people who are carrying on the occupation as a Cottage industry. The existing 'Silk Twisting Mills' one in Kollegal and the other in its neighborhood, have thrown a large number of women workers in Kollegal onto employment and into dire want. Any grant, therefore, of assistance except after a searching enquiry such as is suggested here will not be either a wise or necessary grant in the face of the existence of a government department in Kollegal and in the present state of the finances of this presidency.

Yours faithfully

J. M. L.

D.No 3376 II/37 Letter from Mr Nanjundiah, Land holder, Kollegal. Subject :- Objection - ~~Opposing~~ - Grant of subsidy - Kollegal Silk Filatures Ltd

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Endt No 2336 II-37-38 7-9-37

Referred to the D.I. for remarks in continuation of our No 2336 II/37-28 2-9-37

The D.I. wrote copy of letter

5-9-37

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DEPARTMENT.

Received 19 SEP 1937 19 — ASSISTANT SECRETARY TO GOVERNMENT — DEVELOPMENT DEPARTMENT

Registered Dev. 3606 II 19
20-9-37

Subject.

State Aid to Industries Act-- Application from Mr. F.L.Silva on behalf of the Kollegal Silk Filatures Ltd.,--Subscription for shares.

ENCLOSURES.
No.
Spare copies

No. S.A.14/37

Station Madras, *Dated the* 17th September 1937 19

From (Name) L.B.Green, Esq., M.B.E.,
(Designation) Director of Industries, Madras

To The Secretary to the Government of Madras,
Development Department

Sir,

Ref: Government memorandum No.2336-PI/37-2, dated th 2nd September 1937 and Endorsement No.2336-PI/37-3, dated 7th September 1937.

The Board of Industries was fully aware that the buildings and machinery were valued in 1931 at Rs. 23,000 and Rs. 32,000 respectively and, at the outset of the proceedings of the meeting, I drew attention to the fact that there appeared to be an element of inflation in the value placed upon the assets by the promoter of the projected company. The questions of (i) valuation of the assets, (ii) depreciation and (iii) goodwill, were discus at considerable length at the meeting of the Board and Mr Silva was closely interrogated in regard to them. Mr. Si

was able to convince the Board that as the machinery and plant had been little used and was of a slow running character, the wear and depreciation over a period would be very small, and that a depreciation of 2½ per cent would be sufficient in considering the value to be placed on the machinery and plant. It has also to be remembered in this connection that the Mudikondam filature has not been working for the last five years. Mr. Silva contends that some of the machinery, e.g., boilers, engine and baling press were purchased by him secondhand at favourable prices and that the depreciation on the book value allowed in respect of them has brought their present value down to much below what they would realise in the open market. The Board of Industries also took into account the fact that prices of machinery and plant have risen considerably during the last year or so. It will be noted from paragraph 5 of the note for the Board that the Sericultural Expert considered that the value of theexisting machinery might be taken at about Rs. 35,000 and in arriving at this figure presumably he took into account the increase in the market value of the machinery as provided for under rule 11 of the rules framed under the Act.

2. If the Industrial Engineer's valuation of the machinery at Mudikundam and Bangalore in 1931 is accepted and depreciation at 2½ per cent allowed, (even though the Mudikundam plant has not been working for some years), the present depreciated value, as distinct from the replacement value, would be Rs. 27,406, whilst if the buildings are also depreciated at 2½ per cent, the present value of the buildings would be Rs. 19,761, and the land is valued at Rs.665, this would give a total valuation of Rs.47,832. But this valuation takes no account of the increase in the cost of machinery and plant and the replacement value to the company would certainly be greater having regard to the present prices of the machinery and plant. I enclose a copy of a letter dated the 4th September 1937, which I have received from Mr. Silva, in which he states that in his valuation the Industrial Engineer did not include the following items:

i.	Two wells and two reservoirs	Rs.3,250
ii.	1,700 sq. feet of buildings	" 2,800
iii.	Furniture, safe, stands, etc.,	" 1,500
iv.	Plant and tools purchased after 1931	" 1,150
		" 8,700

Bangalore:

v.	Boiler, steam pump, motors, etc.,	" 2,500
vi.	Furniture, tools, etc.,	" 1,500
vii.	Scientific instruments, motor van	" 1,250
		" 5,250

Total - Rs.13,950

Mr. Silva therefore contends that although the valuation placed by the Board on the assets i.e., Rs. 65000 is Rs. 9500 higher than the departmental valuation of 1931, this is more than offset by the value of the items, amounting to Rs. 13950, not taken into account in the departmental valuation.

I find from the Industrial Engineer's report that although he valued the wells in the filature compound at Rs. 2,500, he did not apparently include this amount in the statement giving details of his valuation of Rs.19,899-14-0. It is not possible to say definitely whether the Industrial Engineer took into account the furniture, safe, stands, etc., and whether or not this was allowed for in the amount of Rs. 800 for tools and fixtures, whilst it would of course be legitimate to take into account the plant and tools purchased since 1931. In regard to the valuation of the buildings, I understand from Mr. Silva that his contention is that the Industrial Engineer took the inside area of the building, whereas in valuing a building on the basis of its plinth area, it is usual to take the outside dimensions into account. At the time of the application, I was not aware that any further plant and tools had been purchased since the last valuation and as the time allowed for the disposal of the application was only a month and an entirely new valuation would have taken a considerable time, I was not able to arrange for this but

contented myself with consulting the Sericultural Expert in regard to the present value of the machinery and plant. Mr. Silva places a value of Rs. 4,000 on the six acres of land at Kollegal against a value of Rs. 665/- placed on it in the year 1931, a valuation which does prima facie appear to be low, and which in fact Mr. Silva characterises as 'absurdly low'. If, however, Mr. Silva wishes the value of the land to be taken at a higher figure, it will be necessary to ask the Revenue authorities to carry out a new valuation and this will take some time. Mr. Silva now puts the following value on the assets which he proposes to transfer to the new company:

Kollegal Filature.

i.	40 Reeling basins ..	Rs. 12,500
ii.	Equipment,-shafting, pulleys, boiler, engine, steaming apparatus, pumping plant, baling and bundling presses, workshop tools, fittings e c.,	7,300
iii.	Motor van	1,200
iv.	Land ~~xxxxxx~~ six acres .	4,000
v.	Wells and reservoirs	3,250
vi.	Buildings	20,000
vii.	Furniture, safe, stands etc.,	1,500
		49,750

Bangalore plant.

viii.	36 Reeling basins	10,000
ix.	Boiler, steam pump, motor, pulleys, shafting, steaming apparatus, fittings etc.,	2,500
x	Furniture, ~~xxxxxxx~~ bundling press, weighing scales, tools, stands, etc.,	1,500
xi	Scientific instruments	750
xii.	Motor van	500
		15,250
	Total	Rs.65,000

3. Mr. Silva submits that the vendor is entitled to take full credit for whatever the company purchases from him, that it would be unfair for the purchase price to be determined solely or mainly with reference to the price originally paid by the vendor, and that it should be sufficient for Government to satisfy itself that the company will get a fair value for its money. Apparently Mr. Silva purchased the property at an extremely low figure and there is no doubt that its value to the company is much more than what Mr. Silva paid for it. As one of the members of the Board who has had considerable experience in the flotation of companies said at the meeting, no person forms a company without expecting to derive some benefit from it, a

the Board seemed to be satisfied that in the case under consideration, the subscribers to the capital of the Company would be given a reasonably fair deal and that the prospects of the company paying a reasonable return on its capital were promising. In the circumstances and after much discussion, they reduced the amount to be paid to Mr. Silva to Rs. 75,000 on a consideration of all the factors involved, including depreciation and goodwill. The Board considered carefully the question of goodwill and in view of the fact that they had reduced the valuation by Rs. 10,000 and that the Bangalore filature was to be closed and its organization, as well as clientele, made over to the company whose position would be strengthened by the absence of competition from Bangalore, they thought that the amount allowed for goodwill was not altogether unreasonable having regard to the extent to which the vendor had already been responsible for the development of the silk filature industry. I asked Mr. Silva to supply me with information as to the financial working of the Bangalore filature, but he states that the filature has been worked in conjunction with the throwing mill and that the greater part of the output is disposed of in the form of thrown silk so that, the figures of working would afford little indication of the results likely to be forthcoming from a silk reeling factory. I find, however, from the administration report of the Department of Sericulture, Mysore for 1935-36, that the working of the Bangalore filature during the year resulted in a small profit after providing for depreciation. Since then, prices of silk have improved considerably.

4. Mr. Silva is extremely anxious for his application to be disposed of expeditiously as he states that the largest cocoon crop of the year will become available by the end of this month and that if the Company is formed and can arrange for its purchase of Cocoons by then, it will derive a considerable advantage, whereas if the opportunity is missed, it will be handicapped, both as regards prices and stocks, until the

next crop matures in May of next year. If, however, Mr. Silva wishes the land to be revalued, and the items of equipment and plant, which have been added since the previous valuation in 1931, to be taken into account, a new valuation will have to be undertaken, and judging from experience in dealing with other applications under the State Aid to Industries Act, this will take a good deal of time. Alternatively, it is open to Government to reduce the valuation, including goodwill, to a figure which they consider reasonable and agree to subscribe for shares of the value of Rs. 17,850 provided that Mr. Silva agrees to accept in full satisfaction of the purchase price shares to the value of the reduced amount which might in all the circumstances of the case be fixed perhaps at Rs. 65,000 or Rs.70,000. If, however, Mr. Silva is prepared to wait for some time for the disposal of his application, an entirely new valuation of the assets may be carried out.

5. As regards the letter from Mr. Rajundiah, landlord, Kollegal, referred to me for remarks with Government Endorsement No.2336-II/37-3 dated 7th September 1937, the Sericultural Expert reports that the gentleman does not own any mulberry land, is not a silk worm rearer and has no intimate knowledge of the subject of sericulture. When the Kollegal Silk Filature Ltd., is formed and its shares are offered to the public, it will be open to persons in Kollegal to apply for any number of shares that they require and I have no doubt that in their own interests the Company will be only too pleased to have as many persons from Kollegal associated with it as shareholders as possible. The Sericultural Expert considers, and I agree with him, that the opening of the silk filature in Kollegal will be to the advantage of the Kollegal silk worm rearers. The filature machine is not an instrument for increased production, but for higher quality. Its output is about one half of that of the country reel, but the quality is much superior. It is comparable in this respect to mill yarn as against hand spun yarn; but as regards labour, the filature employs twice as many people as the country reel for the same yield of silk. India imports from China and Japan a very considerable quantity of raw silk every year and formerly much of the imported silk consisted

of hand reeled silk. In recent years, however, only filature/machine or made silk has been imported so that the Kollegal filature may be expected to displace imported silk rather than the silk produced in the country reeling establishments. If the filature develops, the demand for cocoons will correspondingly increase. For some years past the cultivation of mulberry in the Kollegal taluk has been of the order of 6000 acres, but this season, the area has risen to 9000 acres owing to the more promising conditions which now prevail, and the establishment of the filature will assist to absorb the cocoons of the increased acreage for which it might otherwise be somewhat difficult, at times to find an outlet. In the circumstances, therefore, the Sericultural Expert considers that more reelers will be employed and that there will be no displacement of labour. In regard to Mr. Nanjundiah's remarks with reference to the departmental activities, I shall submit a separate report to Government.

Director of Industries.

Copy of letter dated 4th September 1937 from Mr. Silva of the Bangalore Silk Filature and Throwing Mill. C/o J. Fernandez Esq., Consulting Architect to Government, Madras, to the Director of Industries, Madras.

Referring to the interview kindly granted by you, I beg to submit herewith a detailed valuation of theproperty which is to be acquired from me by the proposed Kollegal Silk Filatures, Ltd.,

2. The valuation carried out by your Department in 1931 showed a total of Rs. 55,565 while the present valuation allows Rs. 65,000 or a sum of Rs.9,435 in excess thereof. The cause of this excess are explained below.

3. In his valuation the Industrial Engineer did not include the following items-

(a) Kollegal.

1.	2 wells and 2 reservoirs	Rs.3,250
2.	1,700 sq. feet of buildings	2,800
3.	Furniture, safe, stands, etc.,	1,500
4.	Plant and tools purchased after 1931	1,150
		8,700

(b) Bangalore.

5.	Boiler, steam pump, motor etc.,	2,500
6.	Furniture, tools, etc.,	1,500
7.	Scientific instruments, motor van	1,250
		5,250

Total 13,950

If these items are added, the Industrial Engineer's valuation should stand at Rs. 69,515 inclusive of the value of land. The latter however was valued by him at the absurdly low figure of Rs. 665, though under protest. If a proper value is assigned to the land, which in my opinion should be Rs. 4000, the Industrial Engineer's valuation would be raised to Rs. 72,850, as against the sum of Rs. 65,000 fixed by the Board of Industries.

4. It will thus be seen that ample allowance has been made for depreciation in the final valuation. You will recollect that at the meeting of the Board of Industries I was closely questioned on this point. And when the Board finally put it to me that I should be satisfied with Rs. 75,000 instead of Rs.85,000 as claimed by ~~him~~ me and I ventured to point out that I had made a liberal allowance in respect of depreciation, I was informed that the reduction was suggested on a general consideration of all the

factors involved, including both depreciation and goodwill.

5. As you are aware, the value of machinery has risen by more than 20 per cent within the last 12 months, If due allowance is made for this factor there should really be no necessity for any but a nominal reduction on the 1931 valuation in respect of machinery. I have not however taken advantage of this except to a very limited extent, and that too largely in respect of certain items of which the present market value is much in excess of my book value.

6. May I be permitted to take this opportunity of bringing to your notice the extreme urgency for the disposal of this matter? The largest cocoon crop of the year (about ~~the~~ 25 per cent of the year's production) is due to accrue by about the 25th of this month. If the Company is formed by that time it will derive a most valuable advantage which will go far towards ensuring its success. If on the otherhand this opportunity should be lost, it will find itself handicapped both with regard to prices and stocks until the next crop matures in May next year.

Valuation Statement.

Kollegal Filature.

		Rs.
1.	40 Reeling basins	12,500
2.	Equipment- shafting, pulleys, boiler, engine, steaming apparatus, pumping plant, baling and bundling presses, workshop tools, fittings, etc.,	7,300
3.	Motor van	1,200
4.	Land- 6 acres	4,000
5.	Wells and reservoirs	3,250
6.	Buildings	20,000
7.	Furniture, safe, stands etc.,	1,500
		49,750

Bangalore plant.

8.	36 Reeling basins	10,000
9.	Boiler, steam pump, motor, pulleys, shafting, steaming apparatus, fittings, etc.,	2,500
10.	Furniture, bundling press, weighing scales, tools, stands, etc.,	1,500
11.	Scientific instruments	750
12.	Motor van	500
		15,250

Total 65,000

DEPARTMENT.

Received 19

Registered Dev. 3631-II 19
21-9-37

Subject.

Letter from Mr. S. Nanjundiah, Landholder, Kollegal, in regard to the sericultural activities of the department Remarks on submitting.

ENCLOSURES.
No. .....
.....
Spare copies .....

No. 3640-A/37

Station Madras, *Dated the* 20th September 19 37.

From (Name) L. B. Green Esq., M.B.E.,
(Designation) Director of Industries,

To The Secretary to the Government of Madras,
Development Department.

Sir,

p55 ante

Reference:- Government Endorsement No. 2336-II/37-3, dated 7th September, 1937.

p61(2 ante

As stated in paragraph 5 of my letter No. S.A.14/37 of the 17th September 1937 in regard to the application from Mr. F. L. Silva on behalf of the Kollegal Silk Filatures Ltd., for the subscription of shares by Government under the State Aid to Industries Act. I understand from the Sericultural Expert that Mr. Nanjundiah does not own any mulberry land, is not a silk worm rearer, and has no intimate knowledge of the subject of sericulture. The Sericultural Expert further reports that this gentleman

is a brother of Mr. S. Subbiah who was employed as a moth tester under the Government of India subvention scheme from the 25th November 1935 to 31st July 1937, and who was reported upon by him very unfavourably in the return of probationers for the quarters ended 31st March 1937 and 30th June 1937, as he was in the habit of disposing of seed without testing, a vital defect in a moth tester whose main duty is to test and distribute only disease free layings. The moth tester was warned in regard to his shortcomings, and when his probation was about to be terminated, he resigned with effect from 1st August 1937. The Sericultural Expert considers that this was the cause of the communication which Mr. Nanjundiah has addressed to Government and that he was actuated by personal considerations.

2. In my D.O.No. 733-D/37 of the 23rd August 1937, I enclosed a note by the Sericultural Expert in which he recounted in detail the achievements in the sphere of sericulture which have been accomplished since he joined duty in October 1919, and I have little to add to this. I enclose however, a further note summarising briefly the work of the department in Kollegal.

3. In my letter referred to in paragraph 1 supra, I have discussed the points raised by Mr. Nanjundiah in regard to the question of the grant of financial assistance by Government to the Kollegal Silk Filatures Ltd., and it only remains for me to deal with his remarks in regard to silk twisting mills. A silk twisting mill was opened in Kollegal by the President of the Panchayat Board in 1931 and a similar mill was started at Mamballi (Mysore State), which is three miles from Kollegal, in 1932. These mills perform the work of doubling and twisting the silk, subsequent to the reeling stage, and before the silk is put on the loom after bleaching and dyeing. Prior to the advent of these twisting mills, this work was done on cotton twisting machines and the women engaged in the work earned annas two per day.

The two twisting mills have no doubt thrown some of these women out of employment and some of the displaced labourers have been diverted to handloom weaving. Hand-twisting is still of course carried on in the area. The bulk of the machine twisted silk is exported from Kollegal. This department has no control over the opening of silk twisting mills by private capitalists. I have shown in my letter in regard to Mr. Silva's application that a silk filature stands on a different footing to a silk twisting mill, since more labour is employed in a filature to reel a unit quantity of cocoons than in country reeling establishments.

A.D.

Director of Industries.

SERICULTURE WORK IN KOLLEGAL.

During the year 1870, a serious epidemic broke out amongst the silk worms of France and Italy and practically wiped out the silk industry. The same disease was noticed in Japan and China. According to Mr. Mukherjee -- an authority on silk in India -- it was observed in Bengal also. Since the disease in the silk worms was practically ruining the great silk weaving industry of Lyons, France, the French Government deputed the eminent bacteriologist - Monsieur Louis Pasteur - to study the disease with a view to the adoption of remedial measures. He devoted his attention to the investigation for five years and discovered that the disease known as 'Pebrine' was hereditary, i.e., it was carried from the mother moth used for reproductive purposes to the egg and from the egg on to the newly hatched worms. Monsieur Pasteur found that the disease could only be controlled by preventative measures and that the best method of control was to segregate every mother moth used for laying eggs and microscopically examine the mother moth after the eggs were laid in order to ascertain whether 'Pebrine' corpuscles were present in the mother moth. If the mother moth was found to be pebrinised, the egg laid by it was rejected and destroyed. This is known as the "Cellular system of seed examination by Pasteur". He saved the silk industry of the world when it was threatened with extinction on account of Pebrine disease. In advanced sericulture countries like France, Italy, Japan and Kashmir (India) egg manufacturing establishments are licensed and controlled by Government and no seed can be sold unless certified by Government Inspectors. Further, the Governments concerned maintain sericultural institutions for the study of diseases, improvement of races of silk worms, grading of silk and improvements in mulberry cultivation etc. Since the same disease 'Pebrine' was responsible for heavy

losses to silk worm rearers in the Mysore plateau, the Mysore Government organised a Sericulture Department in 1910 and now spends about two lakhs of rupees annually on the industry. In 1919, the Madras Government appointed a Sericultural Expert and started work in Kollegal Taluk. It spent in 1936-37 Rs.41,740/-, including the grant of the Government of India, whilst in the same year the revenue of the sericulture section was Rs.3,504/-.

2. The line of work followed in Kollegal is similar to that in France, Italy, Japan and Mysore. Since the variety of worm reared in Mysore and Kollegal is Polyvoltine in character, unlike the worms in France, Italy and Japan which are univoltine and bivoltine, the work of controlling seed production and supplying seed is more difficult here as compared with the countries mentioned. Their seeds hatch once or twice a year and there are full five to ten months in which to test the moths. Our seeds hatch once in ten days and worms are reared all the year round. This means that there are hardly six to seven days in which to test the large quantities of seed necessary for each rearing and there are six to seven such rearings in a year. The requirements of Kollegal are about 60 lakhs of layings for 6,000 acres for six to seven crops. The testing of about 10 lakhs of layings has to be done in the course of six to seven days (the other three days are necessary for the distribution of seed in villages). The Department is maintaining 14 moth testers and one rearer (six paid from Provincial Funds and nine from the Government of India Sub-vention) and six Aided Grainages to do this work. Four Government silk farms are also maintained in Coonoor, Hosur, Palmaner and Thadaguni (Kollegal Taluk) for the purpose of rearing seed cocoons and supplying disease-free-seed ('Cellular seed') to Kollegal rearers. Seed cocoons are not produced by every rearer and at every worm rearing locality; they are produced only in special localities. The

bulk of the seed cocoons for the Kollegal taluk come from Mysore, locally produced cocoons being used only for reeling purposes. The Department is trying to popularise the locally produced cocoons of the Tadaguni silk farm and to overcome the prejudice of the rearers. Rational methods are employed for rearing worms for producing seed cocoons. The production of seed cocoons is work of a special character and they are tested by highly skilled moth testers and operatives in microscopic work. Aided graineurs are taught microscopic work thoroughly and there are six such aided grainages working now in Kollegal Taluk. A large subordinate staff is necessary to carry on the important work of producing seed cocoons and testing them before distribution to the silk worm rearers.

3. Government responsibility for defects in the silk industry: The following is an extract from the report of the Tariff Board:

"The Sericulture industry is a unique industry, differing from other industries in this sense that in its modern form it cannot stand without Government organisation and assistance. 'Pebrine' infection, a hereditary disease of the silkworm and the chief obstacle to economical production, cannot be controlled without Government legislation, nor can the best and cheapest silk be produced without a central scientific research organisation, nor can it be marketed at the best price without being scientifically graded and tested in a conditioning house. It is difficult for these institutions to grow in a backward country like India without Government assistance. Our long historical survey shows that the industry flourished in Bengal as long as the East India Company took an interest in it. Since 1835 the industry has alternately revived and declined with the fluctuations in the interest of Government. This has become keen at times of silk famines in Europe as for instance in 1870 and

1915, when enquiries were ordered, and has subsided at times of plenty. If the industry has survived at all, it has done so on account of its inherent vitality. The need of Government assistance has been emphasised by Mr. Norton Breton, a great London authority on silk, in a lecture on "Sericulture in the British Empire" before the Royal Society of Arts in the following words:-

> "Why should the Governments of these countries be so concerned in the establishment of sericulture and why should not private enterprise do it? I am all out for as little Government interference as possible, but in the case of sericulture it is necessary to have the most stringent rules and regulations in regard to the industry if it is to prove successful. Silkworms are prone to infectious diseases and the reproduction of eggs has to be very strictly controlled. However careful private enterprise, in its own interests, might be to keep these diseases at bay, if there is no control any Tom, Dick or Harry could start the business of egg reproduction and start disease in the country. I think it is better that Governments should encourage the inhabitants to start the industry and exercise the necessary supervision it its early stages".

The work of the Department:

i) Twenty-nine lakhs of layings which is almost half the total requirements of Kollegal taluk, was tested and distributed during 1936-37 and it is hoped to work up to 45 lakhs of layings this year. Work on cross breed layings which alone will improve the economic conditions of the rearer is also being developed. Last year nearly 75,000 layings were supplied and this year it is hoped to do much more.

ii) The acreage under mulberry which was 6,000 has increased this year by about 2,500 in Kollegal taluk.

iii) 1,000 ounces of univoltine seed that will be received from Kashmir and France will be reared this year.

iv) The possibilities of developing the silk worm gut industry is receiving attention.

v) Research is being conducted on the diseases of silk worms.

vi) Improvements have been made to the Japanese cottage reeling machine and in the hand reeled silk by the supply of buttons, pulleys, glass guides, juckers etc. which were secured from Japan.

vii) Experiments have been carried on with green and chemical manures in Kollegal mulberry plantations.

viii) Experiments have been conducted with the artificial hatching of univoltine worms.

ix) Arrangements are made for the supply of seed cuttings and rearing appliances to district centres.

The testing and supply of disease-free-layings to the utmost possible extent, increasing the number of cross breed layings to be distributed to rearers, rearing of 1000 ounces of univoltine seed and the conduct of research on silk worms represents useful work that should commend itself to all with a real interest in the silk industry.

Development Depth

State Aid to Ind. Act -
an application of M/s F.L. Silva

C No. 2336-D 37

[From the D.O. Letter S.A. No. 1137 & 2-6-1937]

To U.S.

Please see the D.O.'s letter on pages 1-3 C.F.

M/s. F.L. Silva, the proprietor two Silk filature mills at Bangalore and Kollegal proposes to amalgamate both at Kollegal and float a joint stock Company. Before floating the Company he wishes to know whether Government would be prepared to take shares worth Rs 22,500 being 10% of the issued Capital under the State Aid to Industries Act. The D.O. doubts whether Government can do anything before the Company is registered in view of section 5(2)(a) of the Act which says that to be eligible for aid the Company should have been registered in India

14 -2-

on a rupee capital, ~~[illegible]~~ (a) ~~[illegible]~~ Legal department may be requested to advise.

5/7/37 Under Section 6 (d) of the Madras Aid to Industries Act, the Local Govt has power to grant aid to an industrial business or enterprise by subscribing for shares. The condition of subscribing for shares under Section 15 (a) of the Act is that for all shares subscribed by the Govt, there must be taken up and fully paid for not less than an equal number of shares by the public.

Under Section 5 (2) (a) of the Act, no aid shall be given to any joint stock company unless the same is registered in India with a rupee capital. Mr. A. L. Silva has applied for aid on behalf of a joint stock company proposed to be formed under the style of "The Kottegoda Silk Filature Ltd". The nature of aid sought for is the subscription by Govt under Section 6 (d) of the Act of shares of the nominal value of Rs 22,500/-

1.11.4-6 C

Memo No 19 dt 5 CF

before the actual formation and registration of the proposed Joint Stock Company. In the draft prospectus for the Kolliyak Silk Industries Ltd. it is proposed to reserve for the Govt 2,200 ordinary shares of the value of Rs 10 each and Rs 500 deferred shares of Re 1 each and to offer for public subscription 10,000 ordinary and 2,000 deferred shares. Mr. Silva is anxious to know whether the Govt. assistance sought for will be forthcoming so that he may issue the prospectus.

2/ Before shares are subscribed for by Govt, the commercial soundness of the industrial business has to be thoroughly investigated to determine whether the proposed Company would earn a profit, since a return on the amount subscribed by the Govt could be expected only in the shape of a Dividend. This investigation has not yet taken place. The intention of Section 15(a) is that Govt can take as many shares as the shares already held by the industrial business or enterprise and for which the amount has been fully paid up. This would

Rd. 27-2-23

Rd. 28-2-23

Rd. 4-12-23 (N)
19.3.23

seem to contemplate that a properly constituted Company should be functioning before aid is sought for under the Act and before Govt can agree to subscribe for shares in it.

3. Section 5(2)(a) was introduced at the Select Committee Stage of the Bill in 1922. This was based on the recommendation in para 298 of Indian Industrial Commission 1916-18, and in para 292 of the Indian Fiscal Commission. "Registration in India" as a Company Capital was intended to lay emphasis on the Indian character of the Companies formed.

4. The Scheme of the Act would seem to contemplate that Companies should be formed and registered before they could seek for aid under the provisions of the Act. Govt assistance will not be forthcoming until the Commercial success of the industrial enterprise is determined to be beyond question. If the Commercial soundness of the venture is established, the Govt can agree, on the recommendation of the Board of Industries, to subscribing for an equal number of shares

to them taken up and fully paid for by the public. The views of a prospectus of the proposed joint stock Co reserving shares to Govt would be to prejudge the issue, viz: the subscription of shares by Govt and would amount to a Committal by the Govt to an undertaking the Commercial success of which [illegible] and the attraction of the public to buy shares in the Co, ~~would therefore be established~~. In the circumstances it is submitted that the application cannot be considered in the usual way and that the applicants should first arrange to form and register the Co and then apply for aid under the provisions of the Act. To enable whether the Director may be informed accordingly if so, a draft O/L is submitted.

D.O.
8.7.37

The above note sets out one point of view but (I am afraid ~~the decisions~~ are not carried) the other point of view is correct. I am afraid that the Statement at X on the previous page is too much of a generalisation to be accepted as a correct Statement of the principles underlying the scheme of State Aid to Industries.

The preamble of the Act declares that "it is expedient to give power to L. Govt to assist in the establishment & development of industries"

§5 (1) lays down the types of industries which may be aided, e.g new or nascent industries. One can imagine that without a promise of help by Govt a particular new industry may never be launched successfully. Unless promise of Govt help is forthcoming the promoters of the scheme may not consider it worth while to register a new Concern. So long as the details of a scheme are clearly formulated.

~~[illegible]~~ / See nothing in the Act that prevents the Board of Industries from considering the question of the grant of financial help to such a Concern.

The requirement of §5 (2) (a) viz that "said help shall be given to any joint-Stock Company unless it is registered in India and has paid Capital" is meant to serve quite a different purpose as shown in para 39 of Report and in §4. Further, it prohibits the "giving of aid" but the promise to give aid if certain conditions are satisfied.

But S. Iyer's ~~scheme may~~ Scheme, if submitted, be placed before the Board of Industries.

I '19

So for as promising of $15 - per acre is concerned for all shares subscribed by the Govt there must be taken up and paid for not less than an equal number of shares, as concerned it creates no difficulty. If the Board of Industries recommends the grant of aid, then Govt may permit the promoters to announce in their prospectus their readiness of Govt to purchase a certain number of shares provided an equal number are fully purchased by the public. This is a mere matter of detail.

The Silk industry is of Carnatak importance in the Colar of Kolar &c. The establishment of a Concern such as the one proposed by Mr Silva will mean an assured market for the villagers who earn their daily bread by rearing silk Cocoons Mysore State has been doing a great deal for this industry. Govt has spent large sums of money in the Sericultural branch of the Industries department. The establishment of a Silk factory at Kolar will mean a definite step towards Stabilisation of the Govt work of this department of Govt.

I submit that if D I may be asked to place the scheme before the Board of Industries.

14/7 S

Certainly. and he shall be asked to submit the Board's views in a months time. Please see draft.

17.7.19

To U.S. Secretary orders as per note.
A draft G.M. to the D.S.
is submitted for approval.

19/7/37

20.7.37

20.7.37

Issued as on No 2336 II-37-1 dt 20.7.37 p 17

From the D.I No SA 14-37 dt 19.8.37 pp 18-19

U.S

"Please see the D.I's letter and enclosures on pp 18-19 CF

2/Mr. Silva has modified his request and has applied on behalf of the Kollegal Silk Filatures Ltd., a company proposed to be started shortly by Govt for the subscription of shares to the value of Rs 17850. Filature being the only one of its kind in this Presidency the Board of Industries at their meeting held on 17.8.37 unanimously resolved that the Govt should subscribe for shares to the value of Rs 17850 subject to certain conditions. The D.I has now stated that the industry may be brought

cf A on p 2 CF & para 9 on p 27 CF

para 3 p 19 CF

p 49 CF

1. Mr. Silva's previous application for loans under the Act (T) of mi Govt No MS 1568 dated 18.6.31 and 1301 dated 13.9.34 (S)

para 3 p19 CF

under Sec 5 (1) (a) or Sec 5 (1) (d) of the Madras State Aid to Industries Act. Silk rearing and silk reeling are no doubt established industry but silk filature is new. It may therefore be deemed to come within the scope of Sec 5 (1) (a) of the Act

The fact is Govt is this industry comes under the Act. It may be brought under more than one sub-section of S 5 of the Act. MK

3/ The proposed company appears to have good prospects and is likely to work successfully. Of the 7957 acres of mulberry in this Presidency in 1934, 7846 acres were in Kollegal where silk rearing is carried on extensively. The climate there is eminently suitable for the cultivation of mulberry and the rearing of silk worms. Kollegal silk is considered to be superior in tensile strength, lustre and wearing qualities and is therefore preferred to foreign silk by certain classes. With the aid of subvention provided by the Govt of India action has been taken in the direction of supplying disease free seed sufficient to meet the local demand and also in regard to the conduct of research on silk

p2 of G.O. 720 (R) 16 5 35

para 4 p19 CF

p2 of G.O. 720 (R) 16 5 35

para 4 p19 CF

of Kollegal as compared with the selling price of Japanese and Kashmir silks augurs well for the future of the company. The Govt's recommendation to purchase for sharing the value of Rs 17,850 may be supported in this respect.

4/ The Kollegal Silk Filatures Ltd will take over the lands, buildings and the 40 basins of Mr Silva in Medikuradam village in Coimbatore Dt and also the 36 basins which he proposes to transfer from Bangalore. The land and buildings were estimated by the Rev. Dept in 1933 at Rs 3500 while the 40 basins at Medikuradam at Rs 19900. The Fin. Dept estimated them at Rs 20415. To this may now be added the value of 36 basins proposed to be transferred from Bangalore. 38 basins were estimated at Rs 12000 in 1931. For 36 basins the value will be nearly Rs 11370 approximately. The total estimated value of Mr. Silva's properties including the 36 basins from Bangalore will be about Rs 31785.

5/ From the prospectus it will be observed that the purchase price payable to Mr Silva has been fixed at Rs 85000 to be satisfied by the allotment to him of fully

para 9 p 4 of

(p 49 of subject to the conditions in page 49 of

para 2 p 19 of

A vide cf. Fin Dept in ... on p 7 of 1501 / 1939-36

S'on p 60 vide

A on p 51 of ... 28-10-37

A on p 51 of 156 / 28-10-37

20415 / 11370

A ref. ... and ... to Fin Dept to regulate the lands para 5 p 20 of the ... Govt's basis of M & at B, taking into consideration the depreciation in the cost of a full report by ... 31/8

D cr. p. 2 C.F.

paid up shares of the Company of the value of Rs 49,550 plus an amount of Rs 35,450 in cash The sum of Rs 85 000 represents the purchase price of his two flatures which has been fixed at Rs 75,000 plus a sum of Rs 10,000 for the goodwill of his business. The Board of Industries in carrying out its recommended that Mr Silva should not receive any of the purchase consideration in cash and that he should be satisfied by the allotment to him of fully paid shares to the value of Rs 75000. The D. J while seeming to agree with the Board in the matter of allotment of shares to Mr Silva to the value of Rs 75000 differs from the Board in fixing the working capital required for the concern. The Board has fixed the amount at Rs 1,50,450 while the Director considers that Rs 1,15,000 will suffice. The reason put forward by him is that the amount needed for working the concern will be only Rs 75,000 for working capital plus Rs 40,000 for the purchase

F cr. p. 49 C.F.

Contention (iv), N cr. p. 49 C.F.

R cr. p. 21 C.F.

of 74 additional basins. By limiting the amount of working capital to Rs 1, 15000 it does not appear that the proposed concern will suffer in any way. The working capital may therefore be fixed at Rs 1, 15,000. The company will proceed to allot shares only after this amount has been subscribed.

6. As regards the allotment of shares to Mr Silva in lieu of the purchase consideration in cash ~~the Board has~~ recommended to him shares to the value of Rs 75000. This is apparently based on the value of the assets as estimated by Mr. Silva. The D.I while pointing out that the assets of Mr Silva were valued in 1931 at Rs 55000 seems to agree with the Board in this respect. As pointed out in para 4 above the land, building and machinery at Mudukaduras well as the 36 bassins to be transported from Bangalore have been valued at Rs ~~32415~~ (X) 31785 roughly.

Ex at p 49 Cf.

para 4 at p 25 Cf.

Sivan p 20 Cf.

p 10 supra

(X) This does not take into account the depreciation in machinery since 1933.

In the absence of any such proof it does not appear that the assets can be valued at anything more than this. In these circumstances, it would seem necessary that the allotment of shares to Mr. Silva should be limited to this figure ~~subject to~~ conditions (i), (ii) and (iv) recommended by the Board of Directors may be accepted.

7 Since the aid asked for is only for subscription for shares a return on the amount subscribed by the Govt could be expected only in the shape of a dividend. Attention is invited to para 17 of the prospectus at p 37 ct. and it will be seen therefrom that the Managing agents are entitled to a claim in the profits which seems to be too liberal. This will react on the share of dividend which the Govt will be entitled to.

Part p 37 ct.

Bk D1 whether 1½% of profits will be sufficiently attractive to managing agents when profits are large

for advice b/f.

Ans 30/8

8 Funds. A provision of Rs 20,000 is included under loans and advances bearing interest - f. Advances under Special Loans (State Aid to Industries) in the Bg for 1937-38. Cost of this

(Agreement with C.O.S. for Rs 37-38 not forthcoming)

a sum of Rs 1500 has so far been sanctioned to a fountain pen manufacturing firm. The balance is available & the proposal for subscribing for shares is sanctioned there will be no need for immediate payment.

The remarks of the Dir Deptt may be invited

[illegible]
20/8/57

[illegible]
26.8.57

[illegible] to DI & return

[illegible]
30/8

U.S.

A draft on is submitted for approval

[illegible]
30/8/57

[illegible]
31.8.57

It will be useful if we send to D a summary of the case as at p 57 of G.O 137 dated 13/9/54 at S. The DI will then have full knowledge of all facts. [illegible]
31/8

S

/ issue memo I have dictated & await D.I's reply. [illegible]

Ex. C.J. 5 C.F. Issued as one No 2336 II/37-2 dt 2-9-37)
pp 53-54 CF From Mr S. Nanjundiah dt 28.8.37)

U.S

Please see letter from Mr S. Nanjundiah on pp 53-54 CF He states that the establishment of the Kollegal Silk Filatures will throw out of employment a large number of workers. It is for orders whether the letter may be referred to the D.I. for remarks

Subject to approval, a draft ~~Order~~ Letter is submitted

4/12/37)

5-9-37

Cir

7/9/37)

p 55 CF Issued as Endt No 2336 II-37-3 dt 7-9-37)
pp 56-64 CF From the D I S A.14.37 dt 17-9-37
pp 65-72 CF From the D.I 3640 A/37 dt 20-9-37)

U.S

Please see the D.I's letters on pp. 56-72 CF

para 1 p 76 CF 2) The Director states that the Board of Industries was fully aware of the value set by the Industrial

Engineer on the machinery, land and buildings in 1931 and that they however estimated their value at Rs 75000. The reasons therefor are as follows:-

(1) Mr Silva stated that although he purchased some of the machinery e.g., boilers, engine and baking press secondhand at favourable prices they will fetch much higher price now in the open market in view of the fact that the prices of machinery and plant have risen considerably during last year. He pointed out that if any of the machinery happens to be replaced or ~~if a company purchases~~ if a company purchases them newly it will be much more than what Mr Silva paid for it. He therefore added that it is unfair for the purchase price to be determined mainly or solely with reference to the purchase price originally paid by Mr Silva. The Board accepted this contention and estimated the value of the plant and machinery with reference to the present prevailing

p 51 of C.O 156/28 031

Cf A, B, C and p 57 of

B and p 57 of

their value to the Company

C and p 57 of.

do.

A and p 57 of

rate for them in the open market

(2) Mr Silva pointed out that the machinery had been liberalised and was of a slow running character and that a depreciation of 2½ per cent would be sufficient in considering the value to be placed on the machinery and plant. This was also accepted by the Board

Dan p57 CF

(3) Mr Silva pointed out that certain items were not included in the valuation of the Industrial Engineer and these were estimated at Rs 13950.

E+F an pp57-58 CF

It will be seen from para 1-3 of the Director's letter that the statements of Mr Silva have been accepted by the Board fully. The only officer who has been consulted in the matter is the Agricultural Expert who seems to be of opinion that the machinery may be taken at Rs 35,000 and the buildings at Rs 20,000. It is for orders whether this valuation will suffice or whether the Ind Engineer who was originally asked to estimate the value of the machinery should again be asked now to revalue them. In view of the fact that the D.I has stated

p56-60 CF

para 5 p43 CF
+ Ann p57 CF

Cf pp 45-51 of Pro
1588 (1)
20/6/51

'0 ~~16~~

that a revaluation will entail much delay, it is submitted that the Agricultural Expert's estimate may be accepted. H on p61 CF

The Industrial Engineer inspected the machinery in 1931 and fixed the rate of depreciation for it at 2½ per cent. The Board now considers that 2½ per cent will suffice. It does not appear that the reasons put forward by the Board for varying the rate are sufficient or convincing in the absence of a further valuation by an officer who is acquainted with the working of the machinery. It is however submitted that as the machinery has been valued by the Agricultural Expert at the prevailing market value, it does not appear that the question of depreciation will arise now. S on p48 of (T) D on p57 CF

Mr Silva has stated that certain items have not been included in the valuation made by the Industrial Engineer. It has not been ascertained whether the value estimated by Mr Silva or these items are reasonable. Mr Silva applied for aid under the E & F on pp57-58 CF

>42 of Co
130 (S)
1924

State Ad to Statistician dtd in 1933 ~~accounts~~ does not appear that he brought to notice of Govt the 1700 sq. ft of buildings left out of account. In the ordinary course it would appear that a measurement ~~on~~ of ground seems necessary. However, in the event of Surveyor and Experts the ~~S-G's~~ estimate is accepted, the 1700 sq. ft of buildings and certain other items will have to be ignored.

The value of Mr Silva's property will be as follows:-

	Rs
Machinery as per S.G's estimate	35,000
Buildings — do —	20,000
Land as per Govt Engineer's Estimate	665
⊗ Items I, III, VI & VII (see para 2 on p. 58 cf)	⊗ 7500
	63165

see p 43 cf

A on p 51 cf
1568 (T)
28.6.31

⊗ Rs
I - 3250
III - 1500
VI - 1500
VII - 1250
7500

If to this is added the goodwill of Rs10,000 which the D.I says the Board took into consideration, it would appear that the total value of Mr Silva's property will amount to Rs 63165 + 10000 = Rs 73165. ~~Mr~~ Mr Arnot has not however made out a case for including ~~or for altering this deduction but will~~ remain for goodwill. It may therefore ~~be accepted~~ be left out of account, ~~though~~ although as regards the success of the Bungalow Palace, the Director reports

J on p 60 cf

Madras it worked at a small profit during 1934-35 - Vide H at para 3 on p 60 ante

4. The representation made by Mr Nanjundiah on pp 53-54 ante have been fully discussed and met by the Dist on pp 61-62 and pp 65-72 ante. After orders are passed, the file may be sent to the Finance dept for record

2 Secy
8/9
11.9.37

The question is whether Govt are prepared to subscribe for a few shares in the Company which Mr Silva wants to float. I think Govt in view of the decision & recommendation of the Bd of Directors may do so & subscribe for shares of the value of Rs 17-8-0

As observed in the O on at 53 ante Govt cannot lend its financial or moral support to the venture unless Mr Silva satisfies Govt that the purchase price he is getting is more or less reasonable. Mr Silva's estimate for his land, buildings, machinery, all seem to be nothing exorbitant when taking the present rise in the cost of machinery into consideration. Land has been valued at Rs 665 by the Industrial Engineer: Mr Silva values it at Rs 4000. Buildings with subsequent improvements

A on p 59 ante
& p 34 of Go 130

~~21~~ 93

San p 11 9 th 1588 (T)

#p51 of Cooch 1810 3

Cost for Silva about Rs 11,000 as Stw. Engineer valued them at Rs 23,000 + for Selva (including wells & + new additions) at ~~25,250~~ 23,250 presumably taking depreciation charges into account. The official valuation by the department seems rather high in view of what the whole thing cost. Their present value will be just under Rs 20,000 if accepted the I.E. for Silva the machinery was valued at Rs 32,000 (valuation in 1931) as compared

665 in 1931 by the I. Engineer: for Silva values it now at Rs 27,750 ——— and the Secretariat Experts values the entire machinery at Rs 35,000. In view of Mr Silvas own valuation or price of the Secretariat Experts figures look rather inflated. I submit that the following figures seem to be quite reasonable.-

Land (4 acres)	Rs 665-
Machinery (for Silvas own valuation)	Rs 27,750
Buildings etc	20,000
Contingencies	6,585
	55,000

It seems clear that Mr Silva is allowed Shares worth Rs 55,000 as shall be dealing with him quite fairly. In any case there can be little justification for allowing him anything more than Rs 60,000. If he is not prepared to accept this figure Govt may refuse to give him material & moral support to the concern.

Sir
Yours S

I am inclined to agree with the under Secretary. But now Finance shd see the file with reference to the proposal that Govt

Need not demur to Mr Silva having Shares worth Rs 60,000 & may themselves Take Shares worth Rs 17850 -=

28.9.37

Finance u/o

Finance (Expr).

The case relates to the application from Mr. .L. Silva, Proprietor, Bangalore Silk Filature and Thar hrowing Mill, Bangalore City and Bangalore Silk ilature, Mudikondam Branch, Kollegal for subs- ription by Govt. of shares to the value of Rs 17,850 n a joint stock company proposed to be formed under he style of "The Kollegal Silk Filatures Ltd."

2. In 1931 Mr. F.L. Silva applied for a loan of s 30,000 for purposes of providing working capital nd for carrying out improvements to the filature. he proposal was not then accepted by Government as he security offered was not considered adequate and s there was not enough funds to meet the charges - .f. notes on pages 61, 68 and 69-70 of G.O. 1568 Dev. ited 28-10-1931.

Mr. F.L. Silva made a further application in 1933 for loan of Rs 25,000 on a bank overdraft granted by ovt. The Govt. were ~~included~~ solicited to give a guarantee of not more han Rs 7,500 and the application was eventually with- awn - see pages 61-63 of G.O. 1301 Dev. dated -9-1934.

3. The present application is for subscription by overnment of shares to the value of Rs 17,850. The oard of Industries which considered the application pport the proposal subject to the following con- tions:--

(1) That the projected Company is registered in he Madras Presidency,

(2) That the Company appoints an auditor approved by Government,

(3) That Mr. Silva should not receive any of the purchase consideration in cash and this should be satisfied ~~x~~ by the allotment to him of fully paid shares to the value of Rs 75,000,

(4) That the Company should not proceed to allotment before receiving subscriptions for shares of the value of Rs 1,50,450 including shares to the value of Rs 17,850 to be subscribed by Government,

(5) that the Board of the Company should include one director nominated by ~~the Company.~~ Govt.

A copy of the Draft Prospectus is on pages 28-41 C.F.

4. Conditions (1), (2), (4) and (5) proposed by the Board of Industries do not call for any special remarks.

As regards condition (3), the Govt. by taking shares in a concern can expect a return only in the shape of dividends. It is therefore important to see that the purchase price fixed in the prospectus for the assets of the ~~xx~~ existing business to be paid to Mr. Silva in the form of shares is more or less reasonable.

Please see the Memo: to the Director of Industries on pages 50-52 ante and Director's remarks on pages 56-62 ante. According to Mr. Silva's latest valuation, the assets proposed to be transferred to the Company ~~are~~ valued at Rs 65,000 against Rs 75,000 recommended by the Board which includes also the goodwill. The Development department consider that if Mr. Silva is allowed shares worth Rs 55,000, we will be dealing with him fairly and that in any case there can be little justification for allowing him anything more than Rs Rs. 60,000. This may be accepted.

5. Finance may

5. Finance may agree to the proposal ~~to take~~ that Govt. should take ares to the value of Rs 17,850 in the ~~present~~ company bject to the remarks in para 4 above. The amount now posed is considerably less than the loan applied for Mr. F.L.Sylva in 1931 and 1933.

6. Funds. Please see para 8 of Dev. notes on , 13-14 ante. The expenditure in the present case nnot be met from the provision of Rs 20,000 for loans der the State Aid to Industries Act. It seems appro- late to treat the expenditure as an outright one and bit it to the service head concerned, ~~mk~~ namely "43.a. dustries - A. Direction - 4 other charges". (c.f. in s connection pages 3-4 and 31-32 of G.O.No.365 Dev., ted 8-3-35.

The question also arises whether the proposal ould be treated as a "New Service" requiring the vote of the legislature. As the taking shares in an Industry one of the recognised methods of aid under the State d to Industries Act and as Government have incurred penditure in taking shares in the past in the land rtgage banks, it seems that the present proposal need t be treated as a "New Service". ~~Before a decision is reached to consult the Accountant General in the~~

and to meet the cost by reappropriation

It is doubtful whether the allotment of shares will take place in the current year. If it does, a Supplementary Grant may be required as there are no savings in Industries Budget. If it does not provision may be made in Part I next year

Thro' B.G.

D. 3802-II
2-10-37

~~No~~ 91 Dev

U S.

Please see the Fin Dept note on pp 22-24 ante

2/ The Fin. Dept have accepted the suggestion of this Dept that it will suffice to allot to Mr Silva shares worth Rs 60,000 and that the Govt may take shares to the value of Rs 178 50 to the new company proposed to be formed under the style of 'The Kollegal Silk Filatures Ltd.

3/ As regards funds the Fin Dept have suggested that the expenditure should be debited to "43-a-Industries - A. Direction 4 - Other Charges", ~~and to be met by reappropriation~~. As suggested by the Fin Dept it is doubtful whether the allotment of shares will take place in the current year If it does, the D.I. may apply for a supplementary grant, as the Fin Dept state that there are no savings in the Industries budget. If not, necessary provision may be included in Part D of the B.E.

98

for 1938-39.

4/ It is presumed that the demand will, if and when realised in respect of these shares will be credited to the head "xxxii-a - Industries - Industries - Other receipts"

A draft order is submitted for approval. The Fin. Dept may see before issue

I don't see why finance need see again. Cl/8/38

In view of para IV of Govt. Order, how may after order D 1; reconsideration at R

7x

The papers in this file relate to an application from Mr. F.L. Silva of Bangalore for Govt. aid under the State Aid to Industries Act in the shape of subscription for shares in a Joint Stock Company he proposes to float under the name 'The Kollegal Silk Filatures Ltd.' Mr. Silva is the proprietor of a silk filature in Kollegal with 40 reeling basins and a filature in Bangalore city with 36 basins. His idea is that the Joint Stock Company when formed should take over as a going concern the two existing filatures together with the staff, transfer the filature in Bangalore city to Kollegal where it will be re-erected side by side with the existing filature and also arrange for the installation of 74 additional basins so that

para 2 p62CF

the Kollegal filature would then have a total of 150 basins capable of an annual production of 56,000 lbs. of silk.

in line para 4 at p19CF

There are certainly good prospects of the successful working of the proposed company at Kollegal provided the selling price of silk is maintained at a reasonable level. Mr. Silva's request is that Govt. should take shares worth Rs.17,850 in the concern to inspire confidence. The Board of Industries has recommended the application subject to the following conditions:---

5 at p27 CF & Mat p23CF

p49 CF

(i) that the projected company is registered in the Madras Presidency;

(ii) that the company appoints an auditor approved by Government;

(iii) that the vendor Mr. Silva should not receive any of the purchase consideration in cash and that this should be satisfied by the allotment to him of fully paid shares to the value of Rs.75,000;

(iv) that the company should not proceed to allotment before receiving subscriptions for shares of the value of Rs.1,50,450, including shares to the value of Rs.17,850 to be subscribed by Government, and

(v) that the board of the company should include one director nominated by Govt.

pp50-52CF & 56-62CF

There has been some correspondence between this department and the Director of Industries as to the propriety of allowing Mr. Silva shares worth Rs.75,000 referred to in condition (iii). This question has been fully examined and this department and the Finance Department are now agreed that no objection need be taken to his having shares worth Rs.60,000. With regard to condition (iv), the D.I. states that, as the Company can begin work with Rs.1,15,000, the figure in the condition may be altered accordingly. This may be accepted.

p21 ante & para 4 on p23 ante

p49CF # & p21CF

Subject to these two modifications it is proposed to approve the Board's recommendation. The draft placed below embodies this proposal and it is for approval.

101

34/2510

Date. Initials.

DRAFT FOR APPROVAL.

F.17.

Dev. Dep

When received for fair copying ..		
When copied ..		B4/C 2/11/0
When examined..		CF 2/11/0
When signed ..		
When despatched.		

SUBJECT:—

INDUSTRIES.

State Aid to Industries Act - Kollegal Silk Filatures Ltd. - Subscription of shares worth Rs.17,850 by Govt. - Sanctioned.

READ AGAIN ..... , dated ..... 19.....

" " ..... " ..... 19.....

READ *ALSO*:—

No 2336-II From the D.I. , No. S.A.14/37 dated 25-6-1937

" To do. C.M.2336-II/37-1, 20-7-1937

" From do. " S.A.14/37 19-8-1937

" To do. O.M.2336-II/37-2 2-9-37

" From Mr. B. Nanjundiah To D.I. Govt. 2336-II-37-3 dt 7-9-37

Order Ms. No From —do— S.A.14-37 dt 17-9-37

ion Rout. From —do—, dated 36/40 A-37 dt 20-9-1937

2361 dt 20.10.37

The Director of Industries, Madras has forwarded for the orders of Govt. an application from Mr. F.L. Silva on behalf of the projected company "The Kollegal Silk Filatures Ltd.", requesting that Govt. shd take for ~~the subscription by Govt. of~~ shares to the value of Rs.17,850 ~~with~~ in the Company. ~~the object of establishing power~~ factories, known as "Silk Filatures" for reeling raw silk from silk cocoons and carrying on the allied operation of "throwing" or twisting ~~silk yarn~~. The Board of Industries

The application has recommended ~~that Govt. should subscribe for shares to the value~~ of Rs.~~17,850/-~~ subject to the following conditions:-

(i) that the projected company is registered in the Madras Presidency;

(ii) that the Company appoints an auditor approved by Government;

(iii) that the Vendor Mr. Silva should not receive any of the purchase consideration in cash and that this should be satisfied by the allotment to him of fully paid shares to the value of Rs.75,000;

(iv) that the Company should not proceed to allotment before receiving subscriptions for shares of the value of Rs.150,450 including shares to the value of Rs.17,850 to be subscribed by Govt. and

(v) that the Board of the Company should include one Director nominated by Govt.

Under Sections 5(1)(a) and 6(d) ~~of~~ of the Madras State Aid to Industries Act, and subject to the provisions of Section ~~5~~ 6 of the Act, the Government are pleased to agree to the proposal that they should take shares to the value of Rs.17,850 (rupees seventeen thousand eight hundred and fifty) in the Company subject to the conditions mentioned by the Board of Industries.

p 49 CF

A

C

p 21 nF & para 5 on p 24 nF

D

with the exception that, as regards condition (iii), the allotment of shares to Mr. Silva shall be limited to fully paid shares to th value of Rs.60,000 (rupees sixty thousand only) and condition (iv) for the figure Rs 150,450 the figure Rs 115,000, as recommended by the Director shall be substituted.

2. The expenditure on account of the subscription of shares will be debited to "43-a.Industries - A.Direction - 4 Other Charges". If the allotment of shares takes place in the current year, the Director should apply for a supplementary grant if no sufficient savings are available in his budget. If it does not, necessary provision should be included in Part I of the Budget Estimates for 1938-39. The dividends that will be realised in respect of the shares will be credited to "XXXII - a. Industries - Industries - Other receipts".

~~-4-~~ 104

3. Proposals for the appointment of the Company's auditor and of Govt. nominee on the Directorate of the Board of the Company should be submitted in due course.

To the Director of Industries
" the A.G. through the Fin. D
" the Finance Dept.

D.O.No.4046-A/37. 105 Dw 4059 II 16.10.37

16.10.37

Director of Industries,

Madras, 12th October 1937.

Dear Mr. Paul,

State Aid to Industries Act- Application from F.L.Silva on behalf of the Kollegal Silk Filature Limited.

With reference to my official letter No.S.A. 14/37, dated 17th September 1937, I submit for the information of Government, a copy of a letter dated 2nd October 1937 I have received from Mr. K.T. Achaya ~~the Sericultural Expert~~, in which he refers to a proposal for the starting of a filature of 200 basins at T. Narasipur. If the proposal materialises, it is likely that competition between the two filatures will result in forcing up the price of cocoons to some extent.

Yours sincerely,

M.R.Ry. Rao Bahadur C.V. Paul Avl.,B.A.,
Secretary to Government,
Development Department.

SK 100

Copy of letter dated 2nd October 1937 from
Mr. K.T. Achaya, Sericultural Expert, Kollegal.

I am reliably informed that some of the Mysore capitalists with the assistance of Mr. N. Rama Rao (Retired) who was the Superintendent of Sericulture Director of Industries and Commerce and Development Secretary, Mysore are planning to start a factory with a capital of Rs.10 Lakhs consisting of a filature of 200 basins Silk Throwing Mill and Power looms to manufacture cloth of modern weave and texture. Their idea is to locate the factory at T. Narasipur (16 miles from Mr. Silva's filature) and release only cloth of modern weave and designs such as cre-de-China, Georgettes etc., to the market. They want to, if Mysore Government approves absorb the Mysore Government silk Filature and Weaving Factory in their scheme.

This is just to bring it to your kind notice that the cocoon supply for both the Filatures will be ample but the prices are sure to be competitive when the reported scheme matures.

3107

U.S.

Please see the D.I's Do at pp 1- 2 ante

2/ The Director states that if the proposal to start another factory at Narasipur materialises the competition between the two filatures would result in forcing up the price of cocoons to some extent. If this is so, the cost of production of the finished silk will naturally rise. Attention is solicited in this connection to para 14 on page 36 of Eco 2361 Dco & dt. 10.37 in which the cost of per lb of silk is estimated Rs 5-9-8.7

2/ The present selling price of Japan and Kashmir filature silk is round about Rs 7 per lb while the fair selling price of Indian filature silk arrived at by the Tariff Board is Rs 6.10-9 per lb. Even if as a result of the competition the cost of production of a lb of silk rises by two or three annas, which is not likely

I log

the filatures will get earn a good profit as there is a margin of Re 1-1-0 between the cost of production and the basis adopted by the Tariff Board.

No action seems called for on the do. The papers may be lodged & Noted with Govt — 2361 Dev dt 20.10.37

(G)

20/10/37
SO
26.10.37

No action is called for. May be lodged as suggested above
Govt
27/X/S

Lodged
27.10.37

GOVERNMENT OF MADRAS

109
Dev. 4824 II
29.10.37

Fort St.George.
29th Oct. 1937

Dear Mr.Paul,

Here is a draft ~~of a Press~~ ~~Communique~~ which Mr.Silva and Dewan Bahadur Appadurai Pillai want to be published as a Communique by Government. Would you please examine it and suggest modifications, if necessary?

Yours sincerely,

S Ramanathan

To

M.R.Ry. Rao Bahadur
C. J. Paul Avl., B.A.,
Secretary to the Government of Madras,
Development Department,
Fort St.George.

The following Press communiqué has been issued by the Ministry of Public Information

Press communiqué

The Sericultural industry has long been firmly established as a cottage industry in the Kollegal Taluq of the Coimbatore District. The area cultivated with mulberry (the food of the silk worm) extends over 9,000 acres and the annual productic of raw silk is estimated at about one-fifth of that produced in S. India. The rearing of the silk worm is carried on as a bye-industry and provides employment not only for the agriculturist but for the women and children of the family and yields a valued cash crop five or six times in the year.

The necessity for improving the quality of the raw sil reeled in Kollegal has been repeatedly stressed by the Sericultural Department of Government. One of the recommendations made in the Report on the Survey of Cottage Industries in the Presidency was to the effect that Government should themselves establish a power Filature for reeling raw silk, and after demonstrating its possibilities, make it over to private enterprise. The Tariff Board on the Sericultural Industry also strongly urged the ~~established~~ ment of power Filatures in India.

A private Filature was however actually established in Kollegal in 1929 by Mr. F. L. Silva ~~and he has now~~ He submitted a scheme to Government proposing, with the support of certain influential gentlemen, to convert his business into a Joint Stock Co., so as to develop the Filature on a scale comparable to that of modern Filatures in other countries. The capital of the proposed Company is to be Rs. 3,25,000 of which Rs. 1,78,500 will be issued at present. The number of reeling 'basins' is to be increased from 40 to 150 and the annual output of raw silk from 14,000 to 56,000 lbs. The factory is calculated to provide work for 375 people.

The Director of Industries has reported that the scheme had been fully examined by the Board of Industries who have recommended its acceptance and suggested that Government should subscribe for a portion of the capital. The Government agreed with the Director that it ~~is~~ was most desirable to encourage the development of Filatures not only for the purpose of improving the quality of raw silk but also of stimulating the agricultural side of the industry. The Government ~~have~~ satisfied themselves as to the

soundness
~~general features~~ of the scheme and the valuation of the property to be taken over by the Company from Mr. Silva, and have ~~are pleased to~~ sanctioned the Director's proposal that they should take shares to the extent of Rs. 17,850 in the capital of the Company under Secs. 5 (1) (a) and 6 (d) of the Madras State Aid to Industries Act.

Incidentally it may be noted that this is the first instance in which the Government of Madras have taken shares in the capital of a Joint Stock Company with a view to encourage industrial development of the province.

4
112

U.S

Please see the draft which is proposed to be published as a communique on pp 2-3 ante

2 In the portion marked A on pp 2-3 ante it is stated that the Govt have satisfied themselves as to the general features of the scheme and the valuation of the property to be taken over by the Company from Mr Silva etc. It would appear from the portion sidelined S on p 59 of Gr 2361 dtd 20-10-3.) that Mr Silva valued the assets which he proposes to transfer to the new Company at Rs 65,000. The Govt did not however accept this valuation. They estimated them at Rs 60,000 and limited the allotment of shares to Mr Silva to that extent. It would therefore seem necessary to recast the sentence which may perhaps read as follows:-

"Govt have satisfied themselves as to the general features of the scheme and have valued the property to

pp 3-4 ante
Gr 7 dtd
(c)

be taken over by the Company from Mr Silva at Rs 60,000. The Govt are also pleased to sanction the Director's proposal that they should take shares to the extent of Rs 17850 in the Capital of the Company under Secs 5 (1) (a) and 6 (a) of the Madras State Aid to Industries Act."

~~The draft does~~ not seem to call for any other remarks.

After orders are passed on the modification suggested, a clean ~~copy~~ copy of draft communique incorporating the modifications will be submitted.

29/10/57

29-10-57

The portion within brackets [ ] at p 3 n.1 ✗ ✗ ~~2~~ be omitted. The phrase 'several features of the scheme' covers it & there is no need for particularising this detail. I also think the last sub para should be omitted. Letters need not put their letters on the back.

AK
29X

I wonder why Govt propaganda on behalf of this joint stock company

114 C

~~Hold over Weekly Landscape Com-~~
~~munique and decide what is most favourable to be done~~ is necessary at all events to the extent already decided on, namely by taking shares worth £17850. This point, I am sure, will be very prominently mentioned in the prospectus Mr Silva will be issuing in a day or two.

... There can be no harm however in issuing the Communique. I have indicated a few alterations in it. Under Sec^y suggests omission of the last para of the portion bracketed. At the top of p 3 ante. We have cut his valuation down from £75000 to £60,000, I think, should have the face to acknowledge that we are satisfied about the value now. The last but para in the same page may can do no harm.

But I would draw H.M.'s attention to the G.O. - p 101-104 - at Flag C.

Cll

11/11 (1) I feel there is nothing wrong in publishing the Communique. It may help the industry to develop & we grant the same to Precca Copanelli & Co. as we have to Messrs Schreiber & Thom- 29.10.37.

11/11 (2)

115

H M (P.J) The govt. having taken the step to support the industry by subscribing shares, may also do a little for propaganda in its favour, especially as it involves no expenditure of money. The ~~cancellations~~ allocations suggested by the Secretary may be carried out and the communique issued in the usual course. A press note may be issued today embodying the communique

SH
1/11/37.

Issue this as Communique & give 12 Copies of it this day for distribution to the Press.

1.11.37

12 Copies of the Communique handed over to H.M. Clerk at 1.55 P.M. today.

SH 1/11/37 x 2361 20/1

W.L. 1/11

H.S

This may be lodged and attached with the Connected Papers.

SH 12.11.37

13/11